

THE DEPARTMENT OF STATE



Bulletin

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The Department of State BULLETIN, a weekly publication issued by the Public Services Division, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.

Publications of the Department, United Nations documents, and legislative material in the field of international relations are listed currently.

The Trade Agreements Program: Its Relation to National Well-Being and Security

Following is the text of an address made by President Eisenhower at the National Conference of Organizations on International Trade Policy at Washington, D. C., on Mar. 27, together with remarks made by Secretary Dulles and Deputy Under Secretary Douglas Dillon at the same meeting.

ADDRESS BY PRESIDENT EISENHOWER

White House press release dated March 27

I am indeed honored to join tonight with this great gathering of citizens from all parts of the Nation. You have come here to demonstrate the strength of your support for an enlightened trade policy that promotes jobs at home and peace in the world. My grateful thanks go to you for this magnificent bipartisan citizen effort to rouse Americans to the great stake all of us have in widening and deepening the channels of world trade.

This cause that draws us together tonight does not readily command the headlines. Like so many other good things, the benefits of trade are somehow taken for granted and are assumed to be a normal part of life. On the other hand, the special domestic problems to which world trade sometimes gives rise, in terms of impact on particular industries, are real and identifiable and demanding of action. But I think it is quite necessary for all of us to remember this one fact: No single, separate part or area of America can ever prosper, no matter what tariffs we might erect, unless the United States of America as a whole prospers.

Now, you and I believe firmly that our reciprocal trade program is good for America, and so we have an obligation to our fellow citizens to set forth our

views fairly and so convincingly as we may. If we do so, I am confident that the countrywide support of this program will be reflected in the Congress. And that is where fateful decisions about its whole future will shortly be taken.

We know that the American people will always do what they think is important and necessary to do. Our task is to make sure the importance of expanding trade is understood by all of us.

Now, in searching for what is best for 173 million Americans, we must recognize that questions concerning reciprocal trade have been raised by conscientious Members of Congress and others deeply concerned with the economic welfare of their particular communities. On Capitol Hill the most potent arguments against trade legislation are likely to be its effect on the industries of specific States and districts.

So, in the effort to dispel honest doubts about the reciprocal trade legislation's great value to the entire nation, we should first hammer home the fact that safeguards in the law are being strengthened to cope with the uneven impact of import competition.

Next we should point out that the authority to make trade concessions to others in our national interest is permissive, not mandatory. It applies to individual products and will be used only on a case-by-case basis, after full review of all factors involved.

Likewise, we should present this commonsense arithmetic: The defeat of the trade agreements program would destroy far more jobs and more job opportunities in agriculture, in manufacturing, and in transportation than it could possibly ever preserve.

We should make everyone aware of the deadly peril impending if, through blindness, America and the free world are robbed of adequate economic

defense against Communist penetration. I doubt that anyone would favor tearing down our trade program were he to have on his conscience full knowledge of such grave hazards.

We can be heartened because in districts, States, and Nation a growing majority is finding that far stronger reasons can be advanced for an effective extension of the trade agreements legislation than the excuses made for rejecting or crippling it.

Both job security and national security demand an enlightened trade policy. So compelling and justifiable are these individual and collective reasons that even those who previously opposed reciprocal trade should see the need of changing from their former position and so measure up to this inescapable duty of our day.

An informed and observant public would disapprove of anyone who insisted on clinging to old, outmoded ideas which cannot solve crucial new problems. But that same public would welcome and praise everyone in public or private life for changing his mind in the best interests of 173 million Americans.

Importance of U.S. Export Trade

Now let me be specific.

Our reciprocal trade program is good for America. It strengthens our own economy, and it strengthens the economy of the free world and thus reinforces our security against external danger.

The United States is the greatest trading nation. Last year the world's export trade amounted to about \$100 billion. We exported a fifth of that enormous total. This vast flow of commerce to and from our shores is vital to our economy.

Consider these facts.

World trade makes jobs for at least 4½ million American workers. At a time of slack in the economy like the present these jobs should not be placed in jeopardy by crippling our trade program. The presence here tonight of representatives of the great labor organizations of America underscores this point.

Export trade, in the most recent year for which we have data, is big, important business. It was greater than all consumer purchases of furniture and household equipment. It was greater than all residential nonfarm building or as great as the sale of all steel-mill products in this country. Such sample facts as these indicate why the great

business organizations of America are represented here tonight.

We shipped abroad last year, for example, over a tenth of our machine-tool production, almost a fifth of our motor trucks and coaches, over a quarter of our construction and mining equipment. And that is why so many manufacturers, small and large, are represented here tonight.

Foreign markets provide an indispensable outlet for our farm output. In the most recent marketing year, with the aid of special programs, over half of our wheat, cotton, and rice went abroad. So did over a third of our soybean production, a quarter of our tobacco, and a fifth of our lard output. Those and other farm exports benefited not only farmers. The movement required financing, inland transportation, storage, and ocean transportation for 36 million tons of cargo. That was enough farm produce to fill 800,000 freight cars and 3,600 cargo ships. Now, those activities mean jobs—lots of jobs.

And for those who may wonder what the connection is between these farm exports and our reciprocal trade program let me cite this fact: Nearly four-fifths of these record farm exports went to countries with which we have agreements under that program. Loss of income from overseas markets would deal a hard blow to farm families. And such facts as these indicate why the great farm organizations of our country are represented here tonight.

Now this brief review of our huge export business evidences an inescapable truth: Trade is good for all America—for its workers, its businessmen, and its farmers.

Role of Imports

Now, what of the other side of the trade—imports?

In discussion of trade problems some people seem to be for exports and against imports. They apparently assume that we can continue to sell even though we refuse to buy. But let me remind you, our farmers, our workers, and businessmen cannot use drachmas, rupees, lire, francs, or other foreign currencies for their purchases in this country. Consequently they cannot accept those currencies for the goods they ship abroad. They can accept only dollars. In the same way, if other nations are to buy our exports to them, they must get

dollars earned by their exports to us. This means giving them an opportunity to sell in the American market on a reasonable basis.

Our import needs are great—\$13 billion last year. We obtained from abroad most of our supplies of tin, mica, asbestos, platinum, nickel, and newsprint. Part of our requirements for iron ore, petroleum, copper, raw wool, bauxite, burlap, and other materials must be obtained outside this country. Such imports keep our factory wheels turning and assembly lines moving.

We also import some foods and manufactured goods. They are not as essential to us as are industrial materials. Nevertheless America wants them. Americans are entitled to a reasonable chance to buy them. Selling customers what they want is the way American stores keep in business. And that is why representatives of consumer groups are here tonight.

Since imports of manufactured goods are the center of much of the trade controversy, we should keep one fact clearly in mind: Last year we imported \$23¼ billion of manufactured goods; we exported \$10½ billion—nearly four times as much. Now, of course, we want, under the law, to accord manufacturing industries relief from demonstrated injury or the threat of injury due to imports. But, if we seek to do this by ill-advised measures such as broad and rigid systems of quotas or unconscionable tariffs, we should consider the consequences upon our 4-to-1 interest in exports of these goods. Now, other countries have their trade problems too. As we and they have learned to our mutual regret, everybody can play the costly game of trade restrictions.

The choice is plain: It is reciprocity or retaliation.

Strengthening the Economy of the Free World

Important as our trade program is to building a stronger nation here at home, it is equally important in building a strong neighborhood of nations where we can be secure.

Our first line of defense against potential attack is an effective deterrent power widely based in the free world. The dispersal of this power is a key aspect of our defense. But dispersal requires cooperation among the free nations—not merely military cooperation but in all the ways which make our allies strong.

It may be trite to say that trade is a two-way street, but is it trite to say that cooperative security is a two-way street? By no means. Allies are needed, and we need them to be sturdy—reliable. Sturdy allies need progressive economies, not merely to bear the burden of defensive armament but also to satisfy the needs and aspirations of their people.

This fact requires a clear understanding on our part that, for most of these nations, foreign trade is vital to their economies and therefore to our security. Some of these nations are limited in natural resources; their markets at home are small. In many instances their economies are much less developed than is ours. Trade is truly their economic lifeblood. The United States must continue to make it possible for them to trade with others and with us on a reasonable basis.

The American people have long been keenly aware of the Communist military threat. Our people are determined to maintain ample retaliatory power to deter armed aggression. But we must make certain that our people clearly recognize the danger of the Communist economic drive among developing countries—offering the carrot and hiding the stick.

That danger is real, and it is growing. The Communists are deterred from military adventure by the defensive forces we and our partners have built. They now seek, through economic penetration and subversion, their purposes of ceaseless expansion.

The character of the Soviet economic offensive is clear: To the leaders of Communist imperialism economic relations are merely another way of gaining political control over nations that have become economically dependent upon the Communist bloc.

It is the Communist system—the Communist system, rather than things—that the Kremlin is determined to export.

It is the system of economic freedom that the Kremlin is determined to destroy.

If, through utilizing trade and aid, the Communists can tempt free nations one by one into their spider web, they will have paved the way for political victory, for world domination. And they will have made progress toward their great goal of economic encirclement of the United States.

Now, though Soviet resources do not by any means match our own, yet they are enabled by despotic rule to concentrate those resources effectively for special purposes. By forced investment, heavy industrialization, and the repression of consumer needs the Soviet bloc is producing on a growing scale the goods and capital equipment which many of the newer nations must have if they are to be increasingly effective allies of the United States.

Now, the Soviet capacity to export is coupled by a willingness to import. The Soviets are offering to receive raw materials and other products which free nations have to sell. Thus the Communist bloc is becoming an important supplier of capital and equipment, especially to the newer nations, but its principal export is still Communist imperialism.

Now, communism, like all other forms of dictatorship, is a reactionary movement. This we know. Yet reaction has more than once in the past enjoyed periods of marked success. Can we be sure that reactionary communism will not succeed in tempting many nations to exchange freedom for glittering—and sometimes realistic—opportunities for material betterment?

We cannot at all be sure of this unless we see to it that economic freedom is allowed to operate effectively, that the benefits of economic advance in the free world are diffused and spread to others.

And this means trade.

If free and needy nations cannot find room and opportunity to trade within the free world, they will surely, inexorably turn to trade with the Communist world.

For to live they must trade. It's as simple as that.

Proposals for Extending Program

This brings us directly to the proposals for the extension of the reciprocal trade program. This program was inaugurated by a great American, Cordell Hull, almost a quarter of a century ago. It has been extended and strengthened no less than 10 times. It has become a prime impetus to economic cooperation and to flourishing world trade. It strengthens freedom as against despotism.

To move forward along the road on which we have thus far advanced, I have recommended to the Congress a 5-year extension of the Trade

Agreements Act.¹ I have requested authority to negotiate reductions in tariffs, on the basis of the "peril point" procedure, by 5 percent of existing rates a year, during this 5-year interval. I have further recommended strengthening the "escape clause" and "peril point" procedures to recognize more fully and promptly the need for relief in cases where injury to a domestic industry due to trade concessions is established under the law.

Now, this program has been attacked as both too little and too much, depending on the side of the argument any individual has taken. But this fact may suggest that it is about right.

In my opinion the authority requested in the bills introduced by Representatives Mills and Kean,² embodying these proposals, is necessary to the continued success of the program. So, too, is the 5-year extension period essential to the continuity and stability of our trade relations.

There is a mistaken belief spread among some people that the 5-year proposal was merely introduced as a bargaining position. I should like to set the record straight. It is a proposal dictated by the facts.

Among these facts the greatest is a special one: A great Common Market is now being formed by six nations of Western Europe. These countries will in due course eliminate all barriers to trade among themselves and act toward all the rest of the world as a single economy. That means a common tariff applying to imports from the rest of the world, including the United States. It is expected that important steps toward this common tariff will become effective during 1962—up to 4½ years from the renewal date of our reciprocal trade legislation this summer. If we are to serve the interests of American buyers and sellers, the President must have from the Congress adequate authority and given a sufficient time to prepare and conduct negotiations with the Common Market authorities. I can conceive of no other single fact so important as this as a reason for extending the act for 5 years. In the national interest this timetable dictates a minimum extension of the law for this period.

The good of America will not be served by just any kind of extension bill. It must be a good bill.

¹For text of the President's message recommending extension of the Trade Agreements Act, see BULLETIN of Feb. 17, 1958, p. 263.

²H. R. 10368 and 10369.

It must be an effective bill. Such a bill is before the Congress.

Now, the issue before the Congress and the American people in this spring of 1958 is a momentous one: Will we through apathy or ignorance see our trade program killed outright or gutted by amendments? Will we weaken ourselves by returning to the law of the jungle in trade relations between nations?

Or will the program be extended and strengthened?

The choice is clear.

I repeat: This program is good for America.

It is good for America on straight pocketbook grounds. It is good today because it will help protect millions of jobs. It is good tomorrow because more trade means more jobs.

It is good for America, too, because it helps build the road to peace.

Finally, this program is vital to our national security. Retreat on this program would make dangerously difficult the holding together of our alliances and our collective-security arrangements.

Less trade means more trouble.

We cannot find safety in economic isolationism at a time when the world is shrinking. For us to cower behind new trade walls of our own building would be to abandon a great destiny to those less blind to the events and tides now surging in the affairs of men.

America will not choose that road, for it is a downward-leading road to a diminishing America—isolated, encircled, and at bay in a world made over in the image of an alien philosophy.

Rather, America will move forward strongly along the clear road to greater strength at home, expanding trade with other free nations, greater security and opportunity in a friendlier world for this and for succeeding generations.

This is a great and continuing mission in which you and I and every American can have a part. I am proud that we can do so, because I believe in doing so we will be, in some partial way, worthy of the great traditions that have been given to us by our Founding Fathers and those who have followed them. We can serve this great nation today by keeping our country firmly on its chosen course of fostering lifegiving trade among the nations. And on that same course we shall move ever nearer to permanent security and to an enduring peace with right and with justice for all.

April 14, 1958

REMARKS BY SECRETARY DULLES

Press release 156 dated March 27

I am glad to discuss with you the Reciprocal Trade Agreements Act. Its extension is, I believe, essential to our national security. For the act symbolizes throughout the world the principle that it is better for peoples to work together than for each to try to be self-sufficient. That principle of interdependence is the cornerstone of free-world policy.

Cooperation To Deter Aggression

The United States is today confronted with a possibility of physical assault heretofore unknown. Hydrogen bombs, with an explosive power sufficient to destroy whole populations, can be delivered across ocean-spanning distances within a matter of hours, if not minutes. American communities are now subject to major devastation from weapons launched from foreign soil.

How is this danger to be held in check and peace maintained? It is by having such power to retaliate against armed aggression that such aggression obviously would not pay. But today power to retaliate is not adequate unless it is dispersed. If our retaliatory power were located only in the United States, it would not be a dependable deterrent for it might be largely obliterated by a sudden blow. It takes cooperation all around the world to assure that Soviet armed aggression will be deterred.

We have that kind of cooperation today. But military cooperation cannot be isolated from economic cooperation. The United States is at once the largest consumer and the largest producer of the goods that enter into the markets of the free world. The flow of trade across our borders is not only important to us; it is the very lifeblood of the economies of our partners and allies. Without it they cannot live or prosper.

If we seem to ignore that fact or to be indifferent to its implications, we cannot expect the consequences to be purely economic. The consequences would be political and military and would disrupt the relationships upon which our national security depends.

Political-Economic Threat

To the physical danger of armed attack there has now been added another, and probably more

imminent, danger. That is the danger created by the new political-economic offensives of international communism. They seek to subvert one country after another until finally the United States is isolated and its economy so depressed that, to use Mr. Stalin's words of 1924, the United States "will consider it expedient 'voluntarily' to make substantial concessions to the proletariat."

The Soviet rulers have been rapidly industrializing their country by forced draft methods which impose severe austerity on most of the Russian people. Today the Soviet Union and such an industrialized satellite as Czechoslovakia can supply the rest of the world with manufactured goods in increasing quantity and variety, importing in return the agricultural and mineral products which many of the free nations have to sell. The glowing Soviet prospectus of assured markets and low interest rate credits attracts many nations toward a relationship which would give the Soviet Union at first economic and then political dominance. This attraction to the Soviet system will become irresistible if the United States does not afford a reasonable trade alternative.

"A Noble Strategy of Victory"

Some elements of United States industry seek to improve their competitive position by implying that any competition from abroad, merely because it is "foreign," should on that account be debarred. We cannot accept that viewpoint without endangering our whole nation. There are, of course, cases where foreign competition should be restrained, and is restrained, by protective action. But a general disposition to exclude foreign goods whenever they are competitive would gravely disrupt economic, political, and spiritual relationships which are required for our own welfare and for the defense of our peace and freedom.

It is neither un-American nor unpatriotic to have national policies designed to assure a congenial and friendly world environment. Since our earliest days it has been, and now is, accepted United States doctrine that our own peace and security interlock with conditions elsewhere. We have, when needed, paid a great price in blood and treasure to prevent other lands from falling under the control of hostile despotisms.

The United States has, by treaties or joint congressional resolutions, proclaimed, as regards nearly 50 nations, that the peace and security of

the United States would be endangered if these other nations were to fall into the clutches of Communist imperialism. But the Communists are not going to keep "hands off" merely because of bold treaty words or resounding congressional proclamations. The Russian and Chinese Communists are tough. Our words will command respect only if we are seen to be ready to back them up.

If we are to avoid the grim alternatives of war or surrender, we must have the national policies and actions represented by our mutual security program and by the Trade Agreements Act. With these measures, the United States and its allies *can* peacefully win the cold war. President Eisenhower said last December in Paris: "There is a noble strategy of victory—not victory over any peoples but victory for all peoples."³

However, this result will not be achieved unless the free-world nations stand firm on the policies that create a unity which nullifies both the military and the political-economic threats which now stem from Communist imperialism.

The imperialist leaders have, or believe they have, one asset on their side—that is the tendency of the democracies to get tired and not to be willing to persist in the efforts that are required to sustain free-world unity and strength. If that unity ever collapses, then the Communists could feel that victory was within their grasp. The essential is that we hold fast to policies which have demonstrated their worth and which, if persisted in, will assure that the ultimate victory will not be that of the despots but of the people.

Four Illustrations

To illustrate my point, let us consider our trade relations with four key countries within the free world—to the north, south, east, and west.

To the north lies Canada, with which we are inescapably interdependent for the defense of the continent. Two-thirds of Canada's foreign trade is with the United States. Last year Canada bought almost \$4 billion of American goods and sold to us almost \$3 billion of goods. If the people and Government of Canada were to come to believe that it is our policy to make this trade balance still more adverse to them, that would inevitably and adversely affect our joint defense of North America.

³ BULLETIN of Jan. 6, 1958, p. 3.

To the south there is Venezuela, with its supplies of petroleum. Venezuelan oil helped to win World War II. It sustained our efforts in the Korean war. Venezuela imported from the United States about a billion dollars' worth of goods in 1957. We imported from Venezuela some \$900 million worth. Surely the national security would not be served if we were to give Venezuelans the impression that we intend drastically to reduce our purchases from them.

In Europe I take the United Kingdom as an example. The British are our partners in NATO and in SEATO. We are joined with them in vital and varied cooperation throughout much of the world. The United Kingdom cannot live without large participation in international trade. If the United States were to set off a chain reaction, in terms of trade restrictions, the effect would be little short of disastrous—on them and on us.

In the Far East there is Japan, an industrial nation of 90 million people compressed into a naturally poor area the size of California. Japan, too, must live by exchanging manufactured products for raw materials and foodstuffs. The Communists strive to bring Japan's industrial power, the only such power in the Far East, within their own orbit of control. The Japanese have steadfastly refused to be drawn into this subservience. But we must help Japan meet its great need for a broad market, primarily within the free world, which will allow her to satisfy the economic wants of her people. In 1957 we sold Japan about \$1.25 billion of goods and bought from her some \$600 million. Surely it is clear that excessive restrictions against the trade of Japan could create in Japan conditions dangerous to our own security.

Trade and National Security

In the modern world it is not possible to consider trade apart from the whole complex of our international relations and our national security in a world that is fraught with danger. When we speak of the future of our trade agreements legislation, we are speaking of an instrument which is vital to the whole of our foreign relations. It is an instrument needed to prevent a "hot" war and to win the "cold" war.

Surely a system that contributes so much to our political and military security, which, through "peril point" and "escape" procedures, realistically

takes account of the needs of our domestic industry, and which provides our farmers and industrial workers with vast markets, should be effectively continued. The Trade Agreements Act stands as a worldwide symbol of enlightened statesmanship. Failure to renew and strengthen that act as the President has requested would set back the clock and endanger our Republic and each and every person in it.

I ask you to recall the period of the early thirties. It was a time of economic depression here at home, and we sought relief by raising our tariffs and devaluing our currency without regard to the serious impact of our acts upon others who were largely dependent on international trade.

What was the outcome? We did not get the domestic relief we expected. And our conduct and example seemed to others to justify, if not require, the practice of "each for himself; the devil take the hindmost."

Nations like Germany and Japan fell under extreme nationalistic leadership that professed to believe that only by expanding their national domains at the expense of weaker neighbors could they assure their people a well-being no longer available by normal methods of peaceful trade.

Finally, the devil caught up with us all in terms of world war. Humanity paid, in rivers of blood and mountains of gold, for its follies.

May we be spared the folly that would repeat that tragic past.

REMARKS BY MR. DILLON

Press release 153 dated March 27

I have been asked to discuss two closely related subjects, *first*, the Soviet economic offensive and, *second*, the European Common Market. I think it will simplify matters if I discuss these topics separately, relating each to the reciprocal trade agreements program as I go along.

Soviet Economic Offensive

Let's begin with the economic offensive which the Soviet Union has launched. Today the main threat to the peace, security, and welfare of the American people is the threat of international communism. The threat has two barrels—both loaded.

The first barrel is the military threat. We are all pretty well aware of Soviet military strength.

We know that the Soviet bloc has at its disposal the largest peacetime army in history. We know that the Soviet Union is maintaining a submarine fleet three times larger than ours. We know that the submarine fleet and the army are backed up by tactical and intermediate missiles with nuclear warheads. We know that the Soviet Union is racing to perfect an intercontinental ballistic missile.

But, in spite of all of this, I believe that the other barrel of this loaded gun is a greater threat to the security of the United States and the free world. I am talking about the Soviet economic offensive. This offensive is a new technique to gain domination of the world.

Back in 1924 Lenin said: "First we will take Eastern Europe, next the masses of Asia, and finally we will encircle the last bastion of capitalism—the United States. We shall not have to attack it; it will fall like overripe fruit into our hands."

The Soviet Union has never changed its admitted goal of world rule.

The Soviet economic offensive coincided with the death of Stalin. The bluster, bullying, and bullets of the Stalin era have been put in a skeleton closet. "Sweetness and light" is the new policy. The Soviet Union is now speaking softly and professing friendship. They want to be brothers with the less developed nations, particularly those which are strategically located.

Let no one take lightly this new technique of trying to win countries by subversion and economic penetration instead of armed aggression. The Soviets are entering this economic cold war with the same drive and determination that they showed in forcing the countries of Eastern Europe behind the Iron Curtain.

Starting from zero in 1954, Soviet-bloc economic assistance to the less developed nations had risen to \$1.6 billion by the end of 1957. The package deal which the Soviet offers contains long-term loans at low interest rates. Almost without exception the development projects require Soviet-bloc industrial equipment and many Soviet-bloc technicians to help move the country in the general direction of the Soviet orbit. The loan provisions usually permit repayment in goods or raw materials which the debtor country has available, as an alternative to payment in convertible currencies.

This economic offensive has increased Soviet-bloc trade with the less developed nations, both imports and exports, from \$840 million in 1954 to probably double that figure—about \$1.7 billion in 1957; and the number of trade agreements signed has leaped from 49 to 147. Soviet-bloc trade with the whole of the free world has increased from \$3.6 billion in 1954 to about \$6.1 billion in 1957.

Let me make it clear that this Soviet economic offensive is no sudden spurt which we have a right to expect will fall off. The industrial growth of the Soviet Union is moving along at a pace more than twice that of the United States. Their rate of industrial growth is 9 or 10 percent a year compared to America's 4 percent. Five years from now Russia's industrial production may well reach a figure well over \$100 billion.

There is no secret about how the Soviet Union has become a world economic threat. They have accomplished it by the simple process of denying their own citizens everything but the basic necessities of life. Automobiles, washing machines, refrigerators, and television sets are things the average Russian scarcely dreams of possessing. His per capita income of \$308 a year compared to our own of nearly \$2,500 a year keeps the Russian's nose to the grindstone. The Soviet leaders are ruthlessly sacrificing the immediate welfare of their people to increase rapidly the physical assets of communism.

Now we in the United States would not be justified in viewing with alarm the Soviet economic offensive if its real purpose and intention was to help the less developed nations. But Khrushchev himself has assured us that the Soviet Union is not guided by lofty motives or a desire for sound economic relations. In 1955 he told a group of Congressmen, "We [meaning Soviet Russia] value trade least for economic reasons and most for political purposes."

The goals of the Soviet trade offensive are not hidden behind the Iron Curtain. They are crystal clear. They are:

To create economic dependence on the Soviet bloc;

To spread Communist economic ideology;

To weaken and disrupt economic relations among free-world countries;

And, finally, to pave the way for ultimate Communist political domination.

Challenge to Free Enterprise

The basic question to be answered is: How should the United States meet this Soviet economic offensive? What steps are in our national interests?

Should we match barter deal with barter deal? Should we alter our concept of the interdependence of nations? Is free-enterprise buying and selling obsolete in international trade?

The answer is clearly "No." The economic cold war that we are engaged in is not a battle for any given market or for the products of a particular country. We are in a war that pits the competitive free-enterprise system against Soviet statism. The fundamental concept of the role of government in society is at stake.

The reciprocal trade program is much more than just a symbol of international cooperation among the nations of the free world. It is the cutting edge of the sword in this world economic struggle.

Under the reciprocal trade program America's exports in 1957 rose to another all-time high. The figure was \$19 billion. Face to face with that figure can anyone deny the importance of foreign trade to the United States?

But, in spite of that figure and in spite of the fact that we are the world's largest trading nation, trade is more important to many other nations than to us. Exports account for 16 percent of the total economic output of the United Kingdom, for instance. For Belgium and some other free-world countries exports are even more important. In the less developed nations the ability to export raw materials and foodstuffs to the markets of the free world is the chief means by which they can get machinery and equipment. These newly developing nations need these tools to beat back poverty, disease, and ignorance.

The stakes were never higher. If the leaders of these young nations cannot satisfy the aspirations of their peoples through trade with the free world, they will be forced to trade with the Soviet bloc. If we fail to extend our reciprocal trade agreements program, we will serve notice on the world that we lack confidence in ourselves and in our future. There is no lack of confidence in the Soviet camp. If we surrender the offensive to the Soviet bloc, it is not likely that they will give us an opportunity again to grab the ball and run with it.

Yesterday morning Secretary Dulles received a letter signed by 11 of our ambassadors stationed in the Far East. I would like to read to you some excerpts from this letter:

We wish to express unanimous agreement that a serious threat to the position of the free world in the Far East lies in the subversive capabilities of the Communist movement. These capabilities feed upon poverty and despair, and we are witnessing in Asia the intensive and increasing efforts of the Sino-Soviet bloc at economic penetration and subversion through loans at liberal terms, alluring promises of trade, and the ready willingness to supply Communist technicians to assist the less developed countries with their economic problems. . . . We believe the extension of the Trade Agreements Act is . . . of the utmost importance. . . . all of the countries in the region need to trade for their livelihood and for their further economic development. Most of them are heavily dependent upon trade with the United States, directly or indirectly. The United States is the largest exporter as well as the largest importer in the world. It follows that the kind of trade policy followed by the United States will be a major determinant as to whether the free countries of the Far East will be able to achieve the level of economic development and human welfare prerequisite to durable political stability under free government in the region. . . . Without the instruments of foreign aid and trade, we shall be to a great extent defenseless in the economic warfare that has been declared against the people of the United States and the free world.

We are confronted, then, with a dangerous and powerful economic offensive by the Soviet Union aimed at breaking up trading relationships among the free nations as a means of furthering the objective of world domination by international communism. The issue is whether the nations of the free world will meet the Soviet trade threat in the only way it can be met. Will they, in other words, now move to strengthen the free-world trading community by further action to reduce the barriers which still impede the flow of goods among themselves?

Formation of European Common Market

The answer to this question hangs in the balance on both sides of the Atlantic—in the European Economic Community, where a great new Common Market is being formed, and in the United States, where our Congress is debating the future of the trade agreements program. The decisions which we will make, and those which our European friends will make, are directly related to each other.

Let me explain.

A year ago last Tuesday six nations of Western Europe—France, Germany, Italy, Belgium, the Netherlands, and Luxembourg—signed at Rome a treaty to merge their separate economic systems into one. That treaty has now been ratified by all of the legislatures of the six governments, so that it is a binding commitment on their peoples.

The Rome Treaty is not a mere statement of good intentions. It is an explicit document which sets forth precisely and in detail the steps that will be taken to create a fully integrated European Economic Community. We may be sure, therefore, that this is no paper plan but a genuine undertaking to achieve the economic unity of the six member nations.

In the field of tariffs and trade the European Economic Community will constitute a Common Market. There will be complete free trade within the Common Market, and a single uniform tariff will be applied to imports into the Common Market from the United States and other countries. In short, six nations will become as one nation so far as tariffs and trade are concerned.

This truly revolutionary movement will not be completed all at once. Some 12 or 15 years will be required to transform the six countries into a single trading entity. But the process will begin soon. The next 4 or 5 years will be the formative years of the European Economic Community. It will be during these formative years that key decisions will be made affecting the future tariff and trade policy of a new trading nation on the world economic scene.

The importance of the Common Market to the trade of the free world can hardly be exaggerated. The European Economic Community will combine nations now having a total population of some 160 million people—among the most skilled, intelligent, and hard-working people the world possesses. These nations have a gross national product of over \$140 billion. They are, moreover, great world trading nations, much more so in relation to their economic activity than is the United States. In 1957 the six countries together imported \$14 billions of goods from the rest of the world, excluding their imports from each other. This was more than \$1 billion larger than the total import trade of the United States in that year.

We have been used to thinking of the United States as the most important of the world trad-

ing nations. And so we are, as of today. We must now begin to realize, however, that with the formation of the European Economic Community there will be a second great market whose influence on the currents of trade within the free world will compare with, and perhaps even exceed, our own.

Importance of U.S.-Common Market Cooperation

What is the meaning of these facts and statistics? Their meaning, surely, is this: If free-world trade is to be nourished and made to flow more freely, the United States and the European Economic Community must join hands to bring about that result.

Now, the European Common Market holds great promise for the long-term development of world trade. Internal free trade within the six countries, and the stimulus to productivity which intensified competition will bring, will create a strong upsurge in the production and income of the members of the European Economic Community. And out of this will grow a greater capacity to import and to export. That is one of the reasons why the United States, since the early days of the Marshall plan, has consistently supported the goal of European economic integration.

Yet there are two important conditions which must be met if these beneficial results are to be achieved.

One is that the tariff and trade policy of the Common Market should not be restrictive but should be directed to the lowering of world trade barriers in general. The other is that during the formative period of the Common Market the Common Market tariff should be made as low as possible in order to ease the trade adjustments for other countries, including the United States, that will inevitably take place as industries located within the Common Market gain an increasing tariff advantage over imports from the outside.

The members of the European Economic Community have declared themselves willing to do their part.

First, they have agreed to adhere to the rules of the General Agreement on Tariffs and Trade which require that the Common Market tariff may not be higher or more restrictive, on the whole, than the separate national tariffs previously in effect.

This is a valuable safeguard which prevents the Common Market tariff from moving upward. It does nothing, however, to bring the Common Market tariff down, and that is what is now needed in the interests of the trade of the free world as a whole. Reductions in the Common Market tariff can be accomplished only through further reciprocal tariff negotiations between the members of the European Economic Community, the United States, and the other members of the General Agreement on Tariffs and Trade.

On this point the members of the European Economic Community have also given evidence of their willingness to cooperate. In article 18 of the Rome Treaty they have stated that:

Member States hereby declare their willingness to contribute to the development of international commerce and the reduction of barriers to trade by entering into reciprocal and mutually advantageous arrangements directed to the reduction of customs duties below the general level which they could claim as a result of the establishment of a customs union between themselves.

And so we come back across the Atlantic to the reciprocal trade agreements legislation now before the Congress of the United States. For, if Congress approves the proposal of President Eisenhower for a 5-year extension of the Trade Agreements Act, we will have the authority we need to negotiate with the Common Market during its formative years, thereby advancing the economic interests of the United States and of the rest of the world. I would like to emphasize that the usual 3-year extension of the trade agreements legislation will not be enough for this purpose. The timetable for formulating and implementing the Common Market tariff is such that, if the Trade Agreements Act were extended for only 3 years, it would expire before our negotiations with the Common Market countries could be completed.

If the Trade Agreements Act is not extended for the necessary period, or with adequate authority to offer meaningful tariff concessions, we shall be

condemned to a policy of standstill and drift. We shall have missed our main chance to move forward confidently and surely in strengthening the trading system of the free nations in the face of the economic challenge hurled at us by international communism.

The importance of the trade agreements program to our vital national interests is very great. Failure to extend the Trade Agreements Act as the President has proposed could be one of the most costly failures in our history.

U.S. Nuclear Tests To Demonstrate Reduction in Radioactive Fallout

Statement by President Eisenhower

White House press release dated March 26

In line with what I said to the press on July 3, 1957, the United States will demonstrate the progress our scientists are achieving in reducing radioactive fallout from nuclear explosions.

To this end, for the first time at any test, we are planning to invite the United Nations to select a group of qualified scientific observers to witness at the Pacific Proving Ground this summer a large nuclear explosion in which radioactive fallout will be drastically reduced.

We will also invite, as we have on occasions in the past, a representative group of United States and foreign news-media correspondents.

The United States scientists have been making progress in reducing radioactive fallout from nuclear explosions in the hope and belief that basic advances in both the peaceful and military uses of nuclear energy will thus be achieved. The advantages to mankind of continued progress in this field are obvious.

The United States has always publicly announced in advance its nuclear testing programs. We trust that the forthcoming tests will provide valuable information to the world.

Secretary Dulles' News Conference of March 25

Press release 150 dated March 25

Secretary Dulles: Questions, please?

Q. Mr. Secretary, when you read the exchange of notes on the subject of a summit conference over the last week or so, it's difficult to find anything particularly new in this whole situation. How do you estimate where we now stand on the problem of a summit conference?

A. It has not yet been possible for me to study thoroughly and in detail the Soviet note, which I only received last night. But it does seem as though the Soviets were seeking to exact a terribly high political price as a condition to having a summit meeting. Now, as you know, President Eisenhower has made perfectly clear that he wants to have a summit meeting if there is any reasonable chance of reaching substantial agreements which will ease the international situation and make peace more likely. But it's more and more apparent, and has been revealed, I think, by this exchange of correspondence, that the Soviets are demanding a very high political price as a condition to having such a meeting, and the question is whether there is enough hope out of such a meeting to justify paying the political price which the Soviets seem to be exacting.

I have jotted down here, quite hurriedly, some of the price tags that they seem to be putting on it, and I would like to read those to you, if I may, to illustrate my points:¹

1. The equating of certain Eastern European governments, such as Czechoslovakia and Rumania, with such Western governments as the United Kingdom, France, and Italy;

2. Acceptance of the legitimacy of the East German puppet regime and acquiescence in the continued division of Germany;

3. Ending the agreed joint responsibility of the four former occupying powers of Germany for the reunification of Germany, a responsibility that was reaffirmed at Geneva in 1955;

4. Acceptance of the Soviet claim for numerical "parity" in bodies dealing with matters, such as disarmament, within the competence of the United Nations General Assembly—a "parity" which, if conceded, would give the Soviets a veto power in many functions of the General Assembly, enabling them to evade the will of the great majority and thus further to weaken the United Nations by, in important respects, importing into the General Assembly the same weaknesses that have crippled the Security Council;

5. The acceptance of an agenda so formulated that virtually every item—9 out of 11—implies acceptance of a basic Soviet thesis that the Western powers reject.

Now in making clear this price tag, I do not want to imply that I think that there will not be a summit conference.

Q. Could we explore that a little further, Mr. Secretary? You and the President, as you have already indicated, have taken a firm and consistent line that there should not be a summit conference without, as you put it, meaningful preparation. Regardless of the height of these prices—the price tags that you have just enumerated—the Soviets, if we can believe what we read, seem to have been making a good deal of progress in enlisting support in the neutrals and even among our allies for a summit meeting more or less on their terms. Is the administration prepared to go on with its position indefinitely, or is there a danger that you might have to cave in and accept some kind of a compromise arrangement for a summit conference that you do not now want?

¹ The following five paragraphs were also released separately as press release 149 dated Mar. 25.

A. I do not think there is any prospect of what you refer to as a "cave-in." On the other hand, in these matters there is always a field for legitimate give-and-take. Nobody should just lay down an ultimatum. And if the Soviets have laid down an ultimatum, then I think that the situation looks very dark indeed. I think it's fair still to assume that they are negotiating and that many of these things they talk about are negotiable. To explore that is the function of this preparatory work. We don't intend to take this last note as necessarily the last word. If it is the last word, then—I was going to say, "It is the last word." (Laughter)

Q. Mr. Secretary, have there been through private diplomatic channels, such as the respective ambassadors, any indications of any willingness to negotiate? You say you think they are negotiable, but the terms you list do not appear to indicate that.

A. There have been no informal talks with the ambassadors on this matter. But in answering that question I don't want to set a precedent to indicate that I would always answer it. The greatest hope in situations like this lies occasionally in having some talks which are not publicized and which may indicate a ground for hope that would disappear if it were exposed at an early and infantile condition to the harsh rays of the sun. (Laughter)

Q. Mr. Secretary, could you tell us, sir, whether the Soviet conditions for a summit conference, as they now stand, do constitute turning a summit meeting into a "spectacle"?

A. I would say that, if those terms were accepted, it would turn the summit meeting into something much worse than a "spectacle." It would mean that on the way to the summit we would have lost our shirt. Perhaps that would result in a "spectacle." (Laughter)

Q. Mr. Secretary, Lester Pearson of Canada has suggested that the NATO countries should decide among themselves on a firm pattern for bargaining with the Soviet Union and let the United States do the talking for them if there should be a summit conference. How do you feel about that idea?

A. That would be primarily up to the allied countries to decide. It would be putting a very

heavy responsibility on the United States and one that we, I think, would be reluctant to assume, although in advance of the event I would not want to slam the door to such a possibility.

Agenda for Summit Meeting

Q. Mr. Secretary, in the note from the Soviet Government of yesterday, they referred to the possibility of discussing a German peace treaty and also a pact between the Warsaw powers and the NATO powers. Now, as agenda items, do those two points not open the whole question of the reunification of Germany and, also, the position of Eastern Europe, which you want to discuss?

A. I would feel rather that they tend pretty much to close the door to the kind of thing that we want to discuss. The Soviet, at least, would interpret such an agenda item as limiting the discussion to the particular matters; namely, a peace treaty involving both Germanies and equating of the Warsaw Pact with the NATO group. I would be extremely concerned to see the agenda accepted in that form without at least making clear that we interpret the agenda as opening up the possibility of discussing these other items. You will recall that at the last summit conference at Geneva there was a very prolonged and rather sharp exchange of views at the restricted meeting with respect to the label and title to be given to these topics. And finally we compromised upon a title that was called "European Security and Germany," and that, we felt, was broad enough to open up the kind of subjects that you refer to.²

If we now accepted a narrowing of that agenda item, as the Soviets propose, certainly they would argue that we had agreed to forgo at this time any discussion of the reunification of Germany. Indeed, they are quite categorical, and have been in the whole series of notes that they have put out, that they do not consider that the reunification of Germany is discussable. If we accept such an agenda item with their interpretation on it, I would think that—while, of course, nobody is there physically to prevent the heads of Western governments from uttering words, and we could probably use those words "reunification of Ger-

² For text of the Directive to Foreign Ministers, see BULLETIN of Aug. 1, 1955, p. 176.

many"—I am quite sure it would be contended on the other side that the terms of the conference have implicitly, or, indeed, explicitly, excluded that.

Q. Mr. Secretary, your Manila press conference remarks gave the impression that you felt that one possibility for negotiation was in the disarmament field and that you might be prepared to discuss that as a single agenda item, assuming the deadlock on the other items continues. Is that a correct impression?

And, secondly, on the question of outer space, which was initially advanced here—the control of outer space—are we prepared to have a U.N. agency control this, and are we prepared to put exploration of outer space under such a U.N. agency, with or without Soviet participation?

A. Your first question calls for this answer: that it is not a correct interpretation of what I said at Manila that we would accept a summit conference with only one item on the agenda, that is, disarmament. We would feel that it would be quite important to resume the discussion of some of the—or, indeed, all of the items that constituted the last agenda at the summit meeting, and that, as I put it, to bury those items of the first summit meeting in a second summit meeting would be a very undesirable procedure.

Now on the second question, about the control of outer space by the United Nations, you may recall that at my talk, and in answer to questions, at the Press Club here in Washington, I advocated the control of outer space by an organization under, and created by, and responsible to, the United Nations.³

Q. Mr. Secretary, a few questions back you said that you felt that the Soviet position on the agenda was negotiable. Is it your position that the agenda as you have now described it is also negotiable?

A. I indicated that all of these matters are, I think, subject to negotiation and that I was not in the position on behalf of the United States of laying down any ultimatum.

Q. Mr. Secretary, could you tell us if our view will continue to be that lower-level discussions which make progress in easing some of the existing disputes are indispensable in order to deter-

mine whether a summit conference will be worth while?

A. We believe that preparatory talks through ambassadors and/or foreign ministers are an indispensable prerequisite to a summit meeting. I do not see how otherwise it is possible to meet the test which the Soviets themselves laid down, namely, that any new summit meeting should deal with matters which seemed to be susceptible of solution. In our aide memoire⁴ we asked the Soviet Government to indicate the matters which they thought were susceptible of solution in the light of the known position of the United States and other allied powers. There was no particular response to that. They say—I think there is a statement there—that they regret that the United States has not made clear its position on some of these matters. One would think that they had not read the letters which President Eisenhower wrote to President Bulganin, which do make clear our position on these matters.

Q. Mr. Secretary, would the United States accept an agenda item using the same language as the previous summit meeting on European security and Germany, and is it correct that it is "Germany" or "German reunification"?

A. The label on the item was "European Security and Germany." Under that label there appeared a rather full discussion of German reunification. So it is quite apparent that that label carries with it the concept of German reunification. Also, that is made clear in the preceding sentence, the prelude which leads up to that, where the powers, it is said, recognize the close link between European security and the reunification of Germany.

Q. Would we accept such an item for the agenda, then?

A. I don't want to be absolutely categorical about any of these matters. I think that, when I have said that we thought that a second summit meeting should begin where the last one left off, it is fairly clear what our view is. But these matters are all subject to discussion with our allies. There is another meeting of the NATO Council on this general subject, I believe, tomorrow. I don't like to take unilaterally positions which ought in the first instance to be discussed with our allies.

³ *Ibid.*, Feb. 3, 1958, p. 159.

⁴ For text, see *ibid.*, Mar. 24, 1958, p. 457.

Q. Mr. Secretary, would you list one or two items which you think are the most negotiable? (Laughter)

A. I would find it difficult to do that, I am afraid.

Q. Mr. Secretary, could you cut through all this talk about agenda and explain to us whether you would accept the proposition that at the meeting in the preliminary phase anybody there could talk about anything he wanted to?

A. At the summit meeting?

Q. No, the preliminary meeting.

A. I think that, if the preliminary meetings are exchanges of views through diplomatic channels or through meeting of foreign ministers, this whole area should be discussed without any prior limitations.

Q. Would you accept that at the summit itself?

A. I think that that could not be answered in advance. I think much would depend upon what came out of those preliminary talks. I think we have made quite clear on a number of occasions that, if it is apparent that a summit meeting could only lead to a sharpening of differences, then it is better not to have one. And if, indeed, at a summit meeting the talk is going to be in the same tone and language of the last Soviet note, then it would seem to me to be a great mistake to have a summit meeting, because that would not allay tensions but only increase them. The tone of the Soviet notes has been increasingly harsh, and, if that is to be a preview of the summit, you better not have any summit. I think it must be made clear through preliminary talks that a summit meeting would serve a constructive purpose and not a destructive purpose; and, if the preliminary talks indicate that it would serve a destructive purpose, then it is better not to have it.

Liaison Between NATO and OAS

Q. Mr. Secretary, at the NATO meeting in December you suggested a closer liaison among the free-world organizations,⁵ and since then there has been some correspondence between NATO and the Organization of American States—between the Secretaries General—which some Latin Americans have termed as rather insipid because they merely propose an exchange of information which was already available through the libraries of the

two organizations, and there has been some comment that you seemed to have launched the idea and then let it wither away. Are you prepared to see it through and develop into something constructive, or are you just going to let it just stand on the books? What are your plans?

A. I think all things start in a modest way and that that does not necessarily presage their withering away. It depends upon how the idea develops. I have always thought and believed that this thing would have to start in a rather modest way. We have never wanted to try to bring about an organic unity of these different organizations. Informal contacts between the Secretaries General, for example, where they talk together, would indicate whether or not it would be useful to go forward and, if so, along what lines. I may say I am entirely satisfied with the progress that has been made to date and with the likelihood that there will be a beginning of contacts.

You say that information has been in the libraries. That is quite true. But it has been in the libraries outside of a context of some kind of association between the different organizations. The fact that this proposal even in its present modest form is evoking a great deal of attention and even discussion within the different organizations shows that there is in it a significance far different from the fact that you can go into libraries and read about some of these things.

Q. Mr. Secretary, if we may climb back to the summit for a moment, do you believe that the price tag put up by the Soviets as it now stands is too high?

A. I do.

Q. Do you think that the latest note in effect has advanced or reversed prospects of the summit meeting?

A. I think it has not advanced them any, and it seems to me to have made it apparent that a continuation of this public note-writing is not going to advance matters.

Indonesia

Q. Mr. Secretary, can you tell us what is going on out in Indonesia? Our Ambassador seems to have a riot on his hands, a sort of student demonstration.

⁵ *Ibid.*, Jan. 6, 1958, p. 8.

A. I understood there were some demonstrations there.

Q. They grabbed a Danish ship, and the Government there seems to be intensifying its anti-American attitude. These demonstrations and riots are certainly not accidental.

A. I don't think that such demonstrations necessarily reflect or in fact do reflect any governmental impetus. Rioting goes on in quite a lot of places. There were even riots, you remember, in Taipei not so long ago, which I am sure did not reflect any anti-American feeling on the part of the Government. It was due to a local incident. I was out in Taipei just 2 weeks ago, and certainly there was no vestige anywhere whatever of any anti-American feeling, I would say, among the people, as far as I could judge—certainly not among the Government. I wouldn't attach too much importance to these student riots. I remember when I was a student at the Sorbonne in Paris I used to go out and riot occasionally. (Laughter)

Q. On whose side, sir?

A. I can't remember now which side it was on. That shows how students just like to riot for the fun of it. (Laughter)

*Q. Can you tell us something about the substance and the purpose of your talks with the Minister of Economy of Germany, Mr. Erhard?**

A. We welcomed here the visit of the Deputy Chancellor, and we talked very largely about economic problems, which is an area in which he is particularly familiar and where he is at least partly responsible, perhaps largely responsible, for policies which have brought about a very remarkable economic recovery in postwar Germany. There are quite a number of problems relating to the Common Market and the Free Trade Area which can have potential repercussions upon the United States and American business. Those were the things which we primarily discussed.

Middle East

Q. Mr. Secretary, there have been reports of some changes in administrative policy within Saudi Arabia—transfer of certain functions to

Prince Faisal. Would you give us your appraisal of this situation as regards our relationship, or the relationship of the Western countries, to Saudi Arabia? Do you think this indicates any change or any imminent change in relationships between our country and Saudi Arabia?

A. No. We do not consider that this involves any change in relations. It is not easy to evaluate what has happened, and there are a number of interpretations that are put upon it, all of them of a speculative character. I think it is to be borne in mind that Prince Faisal has in the past been Prime Minister and Minister of Foreign Affairs. He gave up those functions because of illness. He came to the United States, as you will recall, to have medical attention. While here, he met with the President and with me. We have no reason whatever to believe that he is animated by anti-American sentiments. He goes back there to resume functions which he had exercised before his illness required him to lay them down. So that, as far as that is concerned, what has happened is quite a normal development.

Now, I would add this, that the whole situation in the Arab world is in a state of evolution and it is not easy to evaluate any event that occurs there because the situation is considerably in flux. The creation of the United Arab Republic and the Federation and matters of that sort all inject new elements, new forces, into the situation. And it requires close observation and attention. But we have no reason at the moment to put any unusual evaluation upon what has happened in Saudi Arabia.

Q. Would you relate this in any way to the announcement by the Saud Government at the international maritime law meeting that it considers its waters around Agaba national rather than international?

A. That has been the position of the Government of Saudi Arabia for a long time. And that proposition will be involved, not in terms of specifics but in terms of the general propositions that are being discussed. As you know, the position of the United States historically has been, and is, that full territorial rights do not extend more than 3 miles. There is a strong movement to bring about acceptance of a change in that rule of international law. The United States believes

*Ludwig Erhard, Minister of Economics of the Federal Republic of Germany, conferred with officials in Washington Mar. 24-26.

that the 3-mile limit should be sustained and that is the position of our delegation at Geneva.⁷

Q. Mr. Secretary, this month it has been a year since the public expression of certain hopes and expectations that led to the withdrawal of Israeli forces from the Gaza Strip and Sharm-el-Sheikh. I want to say, can you tell us, in your view, if these hopes and expectations with regard to the specific issue involved at the time, you are satisfied with what has happened since then?

A. As far as the issues that were involved at the time of the withdrawal of Israeli forces and the deployment of United Nations Emergency Forces there, the results have fully fulfilled our maximum expectations. There has been peace and order in the area, and the United Nations forces there have played a very useful, indeed indispensable, role. I think it is now recognized that, while both sides—both Israel and Egypt—had great concern about that solution in the beginning and about the principles which we advocated very strongly, there is now a realization on both sides that our position at that time was sound and that events have justified the position that we then took.

Q. Mr. Secretary, can you tell us something at this time about Mr. Murphy's mission to Paris and Tunis; and, second, what is your position regarding the project of the Mediterranean pact which has been suggested by Gaillard?

A. Mr. Murphy and Mr. Beeley of the United Kingdom, after having spent some days in Tunis in talking with the Tunisian Government and with President Bourguiba, have returned to Paris with a formulation which has been agreed to by President Bourguiba and which we think takes considerable account of the preoccupations of both sides on this situation. It has been presented to the French Cabinet and is being discussed and considered. We do not know yet what the final

official reaction of the French Government will be. Perhaps that will be forthcoming within a matter of hours or days. We hope that it will lead to a solution there of the immediate problem, although of course the major problems will take some time to resolve.

I want to take this occasion to say that I think Deputy Under Secretary Murphy and his British colleague have done a very fine job to date. I don't know whether their mission will be crowned with success or not. But whether or not it is crowned with success, they have already dealt with many problems that looked as though they were totally insoluble and have brought them into a compass which at least offers some reasonable hope. They have done a superb diplomatic job.

Q. Mr. Secretary, to follow up that question, in your Manila conference you said that the Western Mediterranean defense and economic pact would be constructive if the development of that concept were in a manner which is compatible with the complete independence of all of the countries involved. Did you mean to include Algeria within that phrase of "independence of all of the countries involved"?

A. No. I was speaking of the then independent countries and that the Mediterranean pact should not in any way impinge upon the existing independence of the countries of the area. I think I also made reference to the fact that there has to be acceptance, within the concept of independence, of the concept also of interdependence. As I emphasized yesterday in my testimony before the Senate Foreign Relations Committee,⁸ the concept of interdependence today is vital and anyone who pushes the doctrine of independence to such a point as to deny the practice of interdependence is in fact jeopardizing his own independence. But I did not intend by that statement to carry any implication, one way or another, about the future of Algeria.

Q. Thank you, sir.

⁷ For a statement made by U.S. Representative Arthur H. Dean on Mar. 11 at the U.N. Conference on the Law of the Sea at Geneva, Switzerland, see *ibid.*, Apr. 7, 1958, p. 574.

⁸ See p. 622.

Basic Principles Governing United States Relations With Latin America

by Roy R. Rubottom, Jr.

*Assistant Secretary for Inter-American Affairs*¹

Today I would like to state as simply as possible the policy which guides United States relations with Latin America. Our Government has consistently placed the highest priority on maintaining and further extending our excellent relations with this vast neighboring area. This is a bipartisan policy and one which has broad public support throughout the United States. It is a policy which we strongly adhere to and which we keep under continuing study in order that we may be prepared to meet whatever exigency arises. It is one which has already stood the test of time. Yes, and also the vicissitudes of war and economic depression.

Those of us who are charged with the responsibility for the conduct of this policy strive to be as alert as possible to the political, social, and economic developments to which United States policy must respond. Recently there has been more than the usual amount of public attention paid to our relations with Latin America. This is heartening. Early in March the Committee on Foreign Relations of the Senate, which is conducting a review of United States foreign policy, held open hearings to discuss our relations with Latin America. Governor Muñoz Marín of Puerto Rico appeared before the committee, and I was also called to testify.² Now let me state the policy.

The United States not only desires, but feels the need, to establish the closest and most friendly relations with the Latin American peoples and their governments. This need arises out of more

than self-interest. It is a need that springs from one and the same root and has been a long time growing. It is, in fact, as old as the earliest colonization of the Western Hemisphere. Sometimes we think so much about differences—in language, national origin, aspects of religion and customs—that we forget the identities. However, one of the most striking things about the Americas is how much they have in common. There is no other group of peoples so numerous, no other area of the globe so extensive, of which this could be truthfully said. Here in a world which really was a New World for our forefathers, a tremendous experiment was undertaken with results decisive for human history. We began as groups of explorers and settlers. We had a period of colonization. We felt the need of independence and won it. Because we believed in the dignity and freedom of man, we established constitutional democracies. And “we” means all of the American Republics—the United States and the 20 sister nations.

In view of this parallel experience, our machinery of inter-American cooperation developed naturally—indeed, almost inevitably. When we speak of the American family of nations, we are voicing a fundamental truth. Since it is truth, it follows that our own cooperation with the other American Republics is based on genuine affection for our friends, which we hope is reciprocated. This affection applies to each of the 20 countries whose considerable differences and distinctive characters we fully recognize while, at the same time, we greatly treasure, as each of them does, our common membership in the Organization of American States, which President Eisenhower has

¹ Address made at Tyler Junior College, Tyler, Tex., on Mar. 21 (press release 137 dated Mar. 20).

² For text of Mr. Rubottom's statement, see BULLETIN of Mar. 31, 1958, p. 518.

called "the most successfully sustained adventure in international community living that the world has ever seen."

We hold deeply to the belief that the people of the various countries in the hemisphere have the right to choose their own political destiny: The policy of nonintervention, which we strongly uphold, is one of the cornerstones of the inter-American system. Our commitment to this policy, however, does not lessen our own dedication to democracy in its real and, I might add, American sense, and "we are in a position to feel—and we do feel—satisfaction and pleasure when the people of any country determinedly choose the road of democracy and freedom."³ Here we should remind ourselves of the obligation we have to overcome our own shortcomings and improve upon the example which we are expected to set. We should also recognize that no two governments, any more than two individuals, can be exactly alike. Thus we should not be surprised when the emerging patterns of government differ from country to country.

We acknowledge the high stakes for our neighbors as well as ourselves in maintaining the security of this hemisphere. We hope no aggressor will ever dare attack the nations of the free world, but we cannot rule out this possibility. In addition to recognizing the right of each country to take the measures necessary for self-defense, all 21 of the American Republics are joined together under the Inter-American Treaty of Reciprocal Assistance, known as the Rio Treaty, which is the first of the regional collective-security pacts of the free world. Under this treaty each of the American Republics recognizes that an attack on any one constitutes an attack on all and accepts the obligation to assist in meeting the attack.

Economic Interdependence

In the realm of economic relationships we recognize our interdependence with Latin America. Our own economic well-being, certainly if it is to be lasting, is inextricably intertwined with that of Latin America. This mutual well-being is, I am glad to say, based primarily on trade. This is a proud relationship. More than one-fifth of our exports now go to Latin America, a business worth approximately \$4 billion to the United States in

1957 and almost as much in 1956. On the other hand, almost 50 percent of all of Latin America's exports were to the United States last year, the total amount being nearly in balance with the above \$4 billion figure. This is big business, and we want to keep it that way; you can rest assured that Latin America feels the same way about it, and would like to see those figures increased. Right now Latin America is observing closely economic trends in the United States, and with ample justification, just as you are. Every Latin American ambassador in Washington is anxiously watching our own efforts to overcome the present problem and is praying that we will be successful in turning business upward again.

There has been a severe decline in prices in some of the goods sold us by Latin America, notably in nonferrous metals, although other products have been affected. Coffee is Latin America's main concern, if one considers that 15 countries produce coffee and that 6 of these are dependent on that product for most of their foreign exchange. However, it makes no difference whether the affected product is coffee, copper, lead, zinc, tin, or something else. When prices drop sharply, people in every walk of life in the producing countries are adversely affected. We can and should be sympathetic to these serious problems in Latin America, just as we know they are to our own problems in the United States. It is in our common interest to find solutions to these common problems.

One of our most important tools in finding mutually beneficial solutions is the Trade Agreements Act. With the authority of this act, first enacted in 1934, behind us, we can negotiate agreements to reduce government-imposed barriers to trade. Without this authority we would find ourselves in an economic jungle in which the only remedy for each injury or fancied injury in the field of trade would be not negotiation but retaliation. Latin America is watching with tremendous interest the debate which is now going on. The effects of the decision ultimately taken by Congress will have far-reaching repercussions in our foreign relations, both psychological and real.

Private Economic Cooperation

But obviously our entire economic relationship is not based on trade alone. United States firms have been investing their capital in Latin America

³ *Ibid.*, p. 520.

on a constantly increasing scale. This kind of private economic cooperation is helping to speed the development of Latin America, just as foreign investment, mostly European, participated in the growth of our own country. During the last few years United States investors have been pouring approximately one-half billion dollars per year into Latin America, and the total is now more than \$8½ billion. Not only have these investments been increasing rapidly, but they are going into diversified manufacturing and service industries as well as the production of vitally needed raw materials. A recent study by the Department of Commerce,⁴ using data compiled through 1955, revealed that in that year United States companies operating in Latin America paid salaries totaling \$1 billion to 625,000 employees, of whom only 9,000 came from the United States. These companies in the same year paid slightly more than \$1 billion in taxes to the host governments in Latin America. Their sales abroad *for dollars* went over the \$2-billion mark during that year.

The United States, of course, believes in private enterprise because of its proven success. We also know that private investors are willing to commit large amounts of capital in almost any area where conditions promise mutually beneficial results; it is also self-evident that there is a limited amount of public money available. Therefore, we have recognized, most recently at the Buenos Aires Economic Conference, that the additional great sums required for the development of Latin America can only be supplied through a combination of private and public funds. Thus we say that, if private capital is available in adequate amounts and on reasonable terms for a given project, it is our policy now, as it has been for years, not to have our public lending agencies compete with such capital. This policy is not pointed at any given industry but applies across the board. Notwithstanding our deeply held feeling regarding private enterprise, we recognize the absolute right of any other country to pursue whatever means it deems best for developing its resources.

⁴ *U.S. Investments in the Latin American Economy*, published by the Office of Business Economics, U.S. Department of Commerce, and available from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D. C.; price \$1.75.

Other Sources of Capital

In addition to the roles of trade and investment in Latin America, the United States acknowledges the importance of providing loans to our neighbors. During the past decade United States direct loans to Latin America, under the auspices of the Export-Import Bank, have amounted to more than \$2 billion. At the same time additional United States public funds have been going to Latin America through our participation in the World Bank, the International Monetary Fund, the technical assistance programs of the United Nations and the Organization of American States, and through other organizations relying heavily upon the United States for financial support. But to speak expressly about the direct United States cooperation through the Export-Import Bank, it is the operating principle of that institution that no economically sound development project in Latin America shall fail for lack of access to capital from other sources to cover its dollar needs. Between 1953 and 1957 the bank authorized credits to governments and private companies in the amount of \$1,354,000,000. Recent loans have been as little as \$50,000 and as large as one to Brazil of \$100 million for the modernization of its railroad system. Every one of our sister Republics shared in these credits during this period, and, I might add, their record of repayment is on the whole excellent.

Another newer source of capital is now provided through the sale for local currency of our surplus agricultural products. Under Public Law 480, adopted by Congress in 1954, the value of loan agreements with Latin American countries signed through 1957 totaled \$222 million and the emergency grants of surplus agricultural products aggregated \$31 million. An important feature of these loans is the provision that enables the purchasing country to borrow back for its economic development a large part of the money paid to the United States for the products received. Thus the recipient country receives a three-way advantage: (1) the surplus products themselves; (2) the dollar savings, since payments can be made in their own currency; and (3) the loan of a large portion of the sales proceeds over a long period of time and at a low interest rate.

Stabilization credits provide another example of how public funds are used in our economic cooperation with Latin America. These credits, or standbys, as they are called, are made available to

countries to help them ease the strain on their reserves and maintain the value of their currencies while they are attempting to achieve financial stability. The standby credits are usually "package" arrangements, with participation by the United States Government, the International Monetary Fund, and, frequently, private United States banks. During 1953-1957 direct participation by the United States Government alone in standby credits aggregated \$115½ million.

Another means of extending United States cooperation to Latin American countries has been that of providing emergency grant aid when they were unable to meet their needs with their own resources. These emergencies have arisen from natural disasters such as earthquakes or hurricanes or from unforeseen economic or political situations. Since 1954 this aid, provided under our mutual security program, has totaled \$75 million. In addition, easy-term loans were made under Senator Smathers' amendment totaling \$12.8 million to seven Latin American countries for certain development projects in the fields of health, sanitation, and education.

Still another type of direct United States Government cooperation is that offered by congressional appropriations for the United States share—which is two-thirds—in the cost of the Inter-American Highway, extending from the Guatemalan border with Mexico down to the Panama Canal. Since 1953 appropriations have amounted to more than \$81 million, and Congress is being asked this year to approve another \$10 million.

This year for the first time the United States has funds available under the Development Loan Fund. Several applications from Latin American countries are now being considered by the administrators of this fund, and approval of some of those projects is expected shortly. The fund is designed primarily to extend loans for financing projects in the free world which contribute to economic development and which cannot otherwise be financed by existing international or private institutions. These loans may be repaid in either local currency or dollars and are relatively long-term and at reasonable interest rates.

Technical Cooperation

In speaking of our economic policy toward Latin America I have purposely left until last the mention of our long record of technical cooperation in Latin America. This program, started in

1942, probably yields more human-interest episodes than any of the others, not to mention the long-term practical contribution it is making in our relations with Latin America. In it, scientists, technicians, and other experts from the United States team up with their counterparts in Latin American countries to carry out cooperative programs in agriculture, public health, education, transportation, housing, community development, public administration, and in other areas vital to a country's welfare. A remote tropical jungle can be the setting for one program and a high, arid plateau the location of another. In practically every instance the host government for these projects contributes considerably more to their financing than the United States Government; so you can visualize the constructive work going on when I tell you that in the past 5 years our share alone amounted to \$125 million. However, even if we had before us complete figures from all countries, the total, though imposing, would be no index to the accomplishments of this program. The exchange of ideas and technical know-how cannot be reckoned in terms of dollars, and no one can foresee the value of the changes which will follow the improved health conditions, new agricultural techniques, increased productivity, and other positive results growing out of this type of partnership.

Now, having stated the policy and the instruments at our disposal for executing it, I would like to describe briefly some typical problems. Underlying our approach to these, of course, is the most fundamental ingredient of all for constructive foreign relations—the desire to cooperate with our friends. This bears repeating again and again.

The Importance of Coffee

I have already referred to coffee. Let us examine it in more detail.

As important as coffee is to those of us who love both the taste and the aroma of a cup in the morning—or any other time—coffee is even more important to our friends to the south. As I mentioned earlier, 6 of the 15 coffee-producing countries depend on coffee for most of their foreign exchange to buy what they need in the United States. The United States is the principal consumer of coffee.

Except for a period of 6 years, beginning in April 1941, when quotas on imports were first im-

posed, and continuing through the removal of price controls in 1947, coffee has been subject to the normal laws of supply and demand. There was a time in 1954 when coffee prices in the United States to the consumer rose to such a point as to encounter rather severe resistance. Nobody, certainly not the countries which depend on coffee for their foreign exchange and the livelihood of their people, wants to see coffee priced out of the market. On the other hand, I do not think that the American housewife, any more than the Government of the United States, wants to see a disastrous price decline which would have even more disastrous effects on the countries where coffee is produced and, ultimately, on the quality and quantity of the product that we have come to depend upon to help us get started on our day's work.

Given the importance of coffee, what is going on in this industry? The price of mild coffee fell almost 20 cents a pound between January and October last year, when the new crop came in. Sales were being made at less than 50 cents a pound, which was below the support prices guaranteed producers by their governments and lower than the average prices for any year since 1949. With a large crop coming to market this year and a still larger one forecast for next year, they were understandably worried, and the principal Latin American producing countries met in Mexico City in October of last year to consider what they should do. The chief result of that meeting was a coordinated effort on their part to stabilize coffee prices. This they did by establishing export quotas and agreeing to place on the market only as much as could be sold at what producers regarded as a reasonable price. The plan has been in operation now for about 5 months, and prices are currently about 53 to 54 cents a pound—about what they averaged in 1951 and 1952.

Later, at Rio de Janeiro in January of this year, the American coffee-producing countries met with the African coffee producers to discuss the problem on a worldwide basis. The principal consuming countries of Europe were represented, and the United States sent an official observer. The leading buyers of coffee in the United States, members of the National Coffee Association, were also represented by an observer. The result of that meeting was the establishment of a world coffee organization, the main purposes of which are to promote the increased consumption of coffee, as one method of attacking the problem

of overproduction, and to provide a place where the supply-and-demand situation can be kept constantly under review.

Now the United States is searching for the most useful means of cooperating with its Latin American friends on the problem of coffee. In some respects our approach to the problem is different from theirs; in fact, we have quite frankly disagreed with some of their efforts to maintain prices at levels which might operate to reduce consumption. But these disagreements have been in the context of a deep and abiding friendship, and we are searching for means of agreement rather than concentrating on the disagreements. The problem is under urgent and continuing study in the Department of State, and I am confident that we will find a means to work with Latin America on this problem of transcendental importance.

The Problem of Oil

While in Texas, I should not overlook the problem of oil. This, my home State, along with other oil-producing regions of the world, is faced with the problem of reestablishing the petroleum production and marketing relationships which were seriously disrupted when we in the Western Hemisphere expanded to meet the supply deficit created by the Suez crisis. The problem was further complicated by the decline experienced in the United States domestic demand following the Suez crisis and which still continues. We certainly hope that the problem will not be one of long duration.

Meanwhile our Government, with the cooperation of an overwhelming majority of crude-oil importers, instituted a new program of voluntary import limitations last July which has worked very well indeed, even acknowledging the two or three exceptions where cooperation has not been forthcoming. This program, of course, magnifies the fact that the oil problem is not confined to the United States. It is of great significance to two of our Western Hemisphere partners and friends, Venezuela and Canada, on whom we rely for part of our needs for oil and other vital products, both in normal and emergency periods.

Now what do good friends do when they find a common problem? They sit down together to seek a mutually satisfactory solution.

I visited Venezuela about 3 weeks ago and explored this problem with the Provisional Gov-

ernment, certain political and business leaders in the country, and others. I found a disposition on the part of our Venezuelan friends to engage in the kind of frank discussion which should help us find a solution to the problem. The same attitude has been shown by our Canadian friends. I am happy to report that consultations on the technical level have recently been held in Caracas and in Washington in which my outstanding friend and fellow-Texan, General Ernest O. Thompson, took part. This is the essence of the approach that we people of the Americas take to find solutions to problems, and I am sure that this effort will not fail.

Now let us take up another type of problem. Let us assume there is a Latin American country whose exports consist of 50 percent in coffee and 50 percent in nonferrous metals. It finds that because of the decline in prices of one or both of these commodities, and also because of lessening demand abroad, there is a sharp reduction in its income from exports. Its foreign-exchange deficit for the coming year is estimated at about \$50 million. Let us also assume that this country has drawn down its reserves in the previous year and that it has only \$20 million left with which to meet the anticipated deficit.

In all likelihood a senior official would be sent to Washington to lay this problem before the International Monetary Fund and the United States financial authorities. He would describe his country's situation and work out a program jointly with the IMF staff for dealing with it, subject to the concurrence of his Government and the Board of Directors of the IMF. In general this country would strive for austerity in its imports and would seek to maintain a balanced budget and a tight rein on credit. In some instances where the applicant country's currency has been kept at an artificially low rate of exchange, it may offer to let the rate fluctuate and find its own level, thus reducing some of the drain on foreign exchange.

The measures I just mentioned may show, on examination, that policies to reduce imports and promote exports will only reduce the deficit \$25 million instead of \$50 million. The International Monetary Fund, having concluded that the program adopted by the country is adequate and that the deficit is temporary in nature, is willing to put up \$15 million to help cover that gap. Another \$10 million might be obtained from private bank-

ing sources in the United States. If so, that makes a package which covers a \$25 million deficit.

In some cases, however, the country may not be able to raise an additional \$10 million in New York and it may be necessary to turn to other sources to make up this package. The country, for example, because of a local shortage may need wheat and other farm products and be eligible under United States Public Law 480 to obtain \$10 million worth of these from our surplus stocks on very long credit terms. In some cases it might even be necessary to ask the Export-Import Bank to make available the last component of the total deficit in order to finance the flow of essential United States imports into that country.

Generally the agencies contributing toward the \$25-million gap desire that the IMF contribution come first, since the fund was set up precisely for the purpose of helping countries which have temporary balance-of-payments problems. At times these agencies work out arrangements whereby drawings on them are made in some agreed-upon relationship to the drawings on the IMF and the private banks.

The foregoing represents how the United States Government, in cooperation with international and private financial institutions, assists a country which might otherwise have to reduce imports to such an extent that the economic development of the country would suffer.

I wish to stress that there is deep concern and good will inherent in the United States approach to economic cooperation with Latin America.

Soviet-Bloc Efforts in Latin America

Now to refer briefly to a subject which has received some public notice:

There is evidence that the Soviet Union is intensifying its economic and political offensive in many parts of the world, including Latin America. The Kremlin's propaganda professes sincere interest in trade expansion. Yet, in actual fact, Soviet-bloc trade with Latin America has been declining in recent years, primarily because of the failure of the Soviets to deliver acceptable, competitively priced goods as a counterpart to those raw materials received by them from Latin America.

Although there have been numerous reports of Soviet-bloc "offers" of trade, capital, and technical

assistance, it remains to be seen whether these will meet with general acceptance or whether they will actually materialize as serious propositions. This is said because of the vague and illusive character of the offers, as well as because of Latin American governmental prudence based on past experience with Soviet promises.

Nevertheless, I do not wish to minimize the gravity of the challenge for the United States posed by the Soviet-bloc efforts in Latin America or its capacity to choose selected targets for an economic offensive. This will require sustained vigilance and care on the part of the countries approached, and I am confident that our hemisphere partners will not be found lacking.

I have tried today to convey to you a concise idea of the basic principles governing our relations with Latin America. I have endeavored to make clear the needs and situations—the types of problems—to which United States policy must respond. I have spoken of the friendly spirit in which all the American Republics work together to solve our mutual problems. We in Washington are resolved to dedicate our best efforts to insuring that this spirit of inter-American solidarity is further strengthened, and we humbly ask the guidance of Almighty God in our task.

President-Elect of Costa Rica Visits United States

The Department of State announced on March 24 (press release 146) the following members of the party accompanying Mario Echandi Jimenez, President-elect of the Republic of Costa Rica, during his visit to Washington, D. C., March 26-29:

Señora de Echandi

Gonzalo J. Facio, Ambassador of Costa Rica, and Señora de Facio

Alfredo Hernandez Volio and Señora de Hernandez

Jorge Borbon Castro and Señora de Castro

Joaquin Vargas Gene and Señora de Vargas

Tomas Federico Guardia Herrero and Señora de Guardia

Wiley T. Buchanan, Jr., Chief of Protocol of the United States

U.S. Economic Aid to Spain Increased by \$15 Million

Press release 148 dated March 25

The American Ambassador at Madrid, John Davis Lodge, informed the Spanish Government on March 25 that the United States has made available to Spain an additional \$15 million in economic assistance. Ambassador Lodge told Foreign Minister Fernando Maria Castiella that the Embassy had received official announcement of the increase approved by President Eisenhower.

The new funds, made available under the terms of the Mutual Security Act, bring the total of the defense support program for Spain to \$56 million for the fiscal year ending June 30, 1958. The \$15 million increase for this year brings the total economic aid to Spain under the mutual security program to \$356 million since the signing of the 1953 Spanish-American defense agreements.¹

The entire program is designed to bolster the Spanish economy in the interests of mutual defense. The economic program has emphasized railroad rehabilitation, electric power development, agriculture, and technical assistance.

More recently, in order to help maintain a high level of industrial production and to insure the adequacy of domestic supply, this program has supported Spain's economy by providing industrial raw materials and essential agricultural commodities. In accordance with the desire of the Government of Spain, the additional \$15 million granted to Spain will be used primarily to finance the imports of industrial raw materials.

Ambassador Lodge also informed Foreign Minister Castiella that he was authorized to negotiate an amendment to the January 17 agreement for the sale of U.S. surplus products which will permit Spain to buy for pesetas 23,800 additional bales of short-staple cotton valued at approximately \$4 million.

¹ For text, see BULLETIN of Oct. 5, 1953, p. 436.

Labor Rejects Communism—East Germany

by Eleanor Lansing Dulles

Special Assistant to the Director, Office of German Affairs¹

Labor Knows the Price of Communism

Labor does not like communism. There was a time when it would not have been easy to prove this statement. Those were the days when it seemed possible that the organized economic system which raised the peasant and serf of Eastern Europe and put them in a factory or workshop would substantially improve their lot.

There has been, at least in statistics and to some extent in real values, an improvement in the living standards of many thousands in Russia. Because conditions before the revolution were primitive, the economic changes were defended by some as worth the price of dictatorship.

Later, in 1947 and 1948, when the Communists tried to apply their methods to more highly industrialized countries, such as Czechoslovakia and Germany, the real meaning of the system of controls became evident to the workers in the occupied countries and they came to fear both for their welfare and, more important, for the freedoms won over the centuries.

This basic attitude of labor has been evident in many places but nowhere more clearly than in the part of Germany occupied by the Communist troops. Here, more than elsewhere, the flaws in the Communist system can be analyzed. Because conditions are in so many respects comparable, the glaring differences between the two parts of Germany in productivity, in consumption, in worker-management relations, and in civil rights are of striking significance.

Here, in 1958, one finds on two sides of the artificial and temporary frontier workers of the same tradition, skills, and habits of life. Here are millions of Germans differing in no essential respect from each other except the political regimes and the economic consequences created by these regimes.

The facts of economic repression under communism become evident in the statistics of consumption and production, in rationing, and now have been brought into the open in the recent debates between the rulers. The workers speak for themselves, whenever possible, at times in active revolt or when they escape as refugees.

The Russians learned to fear the free choice of the people, either voting as individuals or acting through union groups, shop committees, or other forms of voluntary cooperation. In 1945 they tried the experiment of permitting elections in Hungary and in Austria. These votes were an overwhelming repudiation of communism, and the experiment has not been tried again by the Communists. Now they even try to prevent the travel or communication of East Germans with the outside world, and they visit penalties on the friends and families of those who flee from their tyranny.

Today, after decisions last August to press toward complete socialization of industry and agriculture, there is a split in the Communist leadership on policy. There are some in the ruling group who argue that the Germans will not submit to tyrannical restrictions and slavish conditions in mine and factory. Others, in spite of warnings of danger of revolt, insist upon more discipline and more severe penalties.

¹ Address made before the International Relations Council at St. Mary's College, South Bend, Ind., on Mar. 21 (press release 134 dated Mar. 19).

One worker in East Germany, endeavoring to sum up the present situation, said recently, "The Soviets can warp an economy, but they cannot win the support of the people or make their part of the world a decent place to live in without basically altering their system." The question now, of vital importance to all of us, is whether they can or will modify their system in Germany or elsewhere.

Why the Germans Reject Communism

The workers in Germany reject the restrictions and oppression of communism, as does labor in all the industrialized countries who have experienced the benefits of an advanced economic and political society. Whatever accomplishments labor may have expected several decades ago from a government which promised the worker-state, experience has now demonstrated the losses in position and in opportunity which they have already suffered, and they are fearful for the future.

The reasons why communism has not been able to win popular support can be grouped under three main headings. While these are more applicable to the Western democracies, at the present time, they become increasingly significant for all countries as the world potential for production and consumption continues to rise. The problems which the Soviets are now facing in their zone of occupation in Germany cast a shadow which will fall on many Communist lands in the coming decade.

Because of their broad significance, it is worth analyzing the areas of main grievance of labor in Germany today: the failure to have responsible and democratic relations with management, the deterioration of working conditions, and the deplorable living standards. These three concerns, if considered as a framework for more specific issues, may be said to be the major causes of unrest, defiance, and continuing hatred of the Russians and their agents in Germany. These represent the flaws inherent in the Communist system which will now, and in the future, prevent its forward progress. Only recently have they begun to disturb the Kremlin in Russia, itself, in a manner apparent to the outside world. Before the improvement in wages and the extension of education to large groups, considerations of this sort were unimportant. Now they can be left out of account nowhere.

It is not only occupied Germany and the outer fringes of the bloc that are in a state of suppressed revolt. Throughout the satellite countries there are stirrings and questionings as to the incentives to produce, the right to share the fruits of modern industry and science, and the desire to participate in decisions. These are ideas that cannot be kept within national borders.

In the denial of these rights and responsibilities to those who have known good living conditions and in the contrast between the East and West portions of Germany, a nation with unified traditions and purposes, there can be no permanence. In this ferment are found the ingredients of ultimate Communist destruction. Here, in Germany, one can see the difference between the two systems. Here, incontrovertibly, the cost of the Communist system in terms of human values is evident.

The Lack of Worker Representation

The original Soviet concept of worker relation to industry and to the state location of authority was so different from that of the Western World that it was largely misunderstood outside of Russia. The Soviet constitution of 1936 indicates that the workers are the state and the workers' state governs all. There are no dependable provisions for dealing with questions of wages, hours, or methods of work. One of the rare constructive welfare functions they perform in Russia—and this applies to the East Zone of Germany also—is to administer worker vacations.

In general, plans affecting the lives of individuals and occupational groups, and conditions in factories or mines or workshops, are settled in the authoritarian hierarchy of the Council of National Economy. Such workers' unions as are permitted to exist are more a formal recognition of the existence of the working force than instruments for improving conditions.

In their occupied zone the Russians began to realize in 1946 and 1947 that the tradition of real bargaining was strong. They were dealing with dedicated and experienced labor leaders, particularly in Berlin. At that time they considered permitting unions to function on a limited basis. They developed and actually put into effect in a few cases a special system of Works Councils, and then, in a matter of months, they recognized the danger of establishing organs of potential resistance and decided to allow the plan to lapse. The

workers' groups for the past 10 years have had to maintain their existence in an inconspicuous and unrecognized manner.

Now, in 1958, after 12 years of Soviet occupation, it is not possible for workers to meet in free assembly. Plans to improve the lot of the man and woman in industry, discussed from time to time, have been as often abandoned by the Soviets.

The Soviets have never dared to permit open elections in trade unions or in other groups. Those who continue to advise and lead the workers, in defiance of the totalitarian state, do what they can unobserved—without scheduled meetings, without visible financial support, and without any means to speak for the rights and needs of the craftsmen and laborers who are their fellows. At present there is much evidence of unrest in the zone.

The controlled labor organization, the so-called Free German Federation of Trade Unions, in the East Zone is not able to influence elections or working conditions or develop an active leadership. It is a Communist showpiece with no substance; it has little meaning to workers brought up in the German tradition. Its spokesmen merely parrot the words of the sinister and powerful leader of the party, Ulbricht.

The unwillingness of the Berliners to accept Communist domination was evident even in 1946 and 1947. Observers of postwar Berlin testify that the lessons of 1933 had been well learned. The struggle of the union leader against Kremlin representatives in 1946 was brought to a climax in March with the openly expressed opposition to the single voting list. This list would have merged Socialist and Communist Parties, but, supported by the Western Allies, the city rejected the proposal. This expression of independence and opposition to the new dictatorship was possible in Berlin because of the position there of the three Western powers—the United States, the United Kingdom, and France. They were in a position to protect free speech and prevent a reign of terror with the threat of arrest and kidnaping.

The decision of the Soviets not to risk genuine elections after 1945 is a basic element of their policy and relates to their stand on reunification.

It is reasonable to assume that only an awareness that the tide of opinion is running strongly against them can lead the Soviets to a change in method and policy. This they are beginning to discover in the East Zone. Thus the superficial short-run advantages they think they gained in repressing

free expression and representation may lead to unmanageable conditions. Those same workers who helped stem the further advance of communism in 1946 and 1947 may help to demonstrate the need for freedom by their unwillingness to yield in spirit in the decade that lies ahead.

Working Conditions Unacceptable

The conditions in the workshops themselves are a genuine cause of frustration and bitterness to the German workman. This is a major cause for his lack of tolerance of the Soviets and their system. Even Sputnik has been regarded with cynicism in view of the Soviets' inability to provide the households with the simpler necessities or to set up high-grade machinery.

There are, of course, a number of exceptions. The favored industries are well equipped. Work of high quality is being carried on in a number of places. In general, however, there are signs of breakdowns in agriculture and in many industries. Construction and transportation are of poor quality. The manpower shortage, accentuated by the flow of refugees, compounds the difficulties.

The Communist rulers of East Germany have recently shown some awareness of the unsatisfactory working conditions. In fact, the purges and upheavals of 1958 are directly related to controversy over working conditions and labor requirements. The workers were promised shorter hours. Within the party and outside there has been heated discussion of norms, which are the standards set for output per worker. The regime has made minor upward adjustments in money wages, but any real gain in purchasing power has been, for the most part, illusory because of the shortage of consumer goods.

The net improvement for the worker in industry has been negligible. The theoretical normal hours of 45 per week are stretched by additional hours and production requirements to meet the norms.

Meanwhile, the productivity standards, subject to continuing resistance on the part of the workers, have been increased while the actual productivity fails to gain. Tools and machinery in many industries, and generally in agriculture, have deteriorated rather than improved in the past 5 years. The worker under these pressures is forced to increase his exertion to keep wages up

and keep hours down and still is 30 or 40 percent less well off than his fellow worker in West Germany.

The Communists are now facing this problem. For almost the first time they are giving thought to the question of incentives in their handling of German problems. It would be unwise to assume that the present low level of production will continue. As the result of present conflicts of views and criticisms of conditions, concessions will probably be made of necessity. The main point to observe, which will be watched by the world at large, is whether there will be a loosening of restrictions and a significant reduction of oppressive measures.

Recent reports of the economic administrators and politicians conferring on these economic questions show a recognition of the continuing dilemma. There are complaints of failure to improve economic conditions leading in January and February to purges of some half dozen leading officials. Meanwhile, labor shortages are serious and are likely to keep productivity well below standards. Indifference or flight are continuing factors.

Genuine improvement of wages and hours has been postponed from year to year. Even according to Communist claims output per worker is increasing slowly in most industries and overall production remains low, except in certain segments, and equipment and raw materials inadequate. Some of the Communist central officials say that there may be a complete breakdown because of the lack of balance between equipment, raw materials, and labor.

The Communist rulers of East Germany, by any standards, have a real problem on their hands in attempting to check the flight of able-bodied workers, as thousands a month take refuge in the Federal Republic and Berlin. The first flood of migration reached a peak when an average of 5,000 a week left the zone in 1953. At that time it was considered that the refugees were motivated mainly by the fact that their political independence had been drastically curtailed and that their lives as upstanding and freethinking Germans would bring reprisals and perhaps political captivity. Now, in 1958, the continuing steady stream of refugees from Soviet-occupied territory appears to be more largely caused by the intolerable economic and labor conditions which prevail. Thus, workers in factories and in mines, on rail-

roads and construction jobs find themselves unable to hold their own as craftsmen, as heads of families, and as free men in a difficult struggle with inadequate equipment, low-grade materials, and unfavorable working and living conditions. They have compared prewar, wartime, and postwar factory standards both in the East Zone and, through their friends and associates, with those in the Federal Republic.

Above all, they are impressed by the striking difference between the two parts of Germany. Those who become hopeless with regard to maintaining their individual position as groups are likely to go West. For this reason, in the large numbers of the refugees probably more than 30 percent are able-bodied young men, at the peak of their working potential, who are seeking not only a more favorable political climate but also decent trade-union activities and reasonable working conditions. As the numbers continue to add to the labor supply of the Federal Republic, the authorities in the Soviet-occupied territory find themselves short of both skilled and unskilled labor and are becoming more restive.

It is largely this drain of manpower and lack of incentive which disturbs the balance and limits economic capacity. There are combined with these a political and prestige factor in the large refugee stream, making it a source of humiliation to the regime. In the past 6 months the Communists have endeavored to limit travel within the zone and between the zones. This has lessened incidental travel but has not changed the numbers leaving the zone permanently. The Soviets are aware of the fact that the mere permission to leave home is a privilege; denying it increases the feeling of bitterness—granting it might increase the ease with which the workers can slip from their grasp. No matter what action they take, many visit Berlin or cross the zonal boundaries to make their homes in the West. The fact that the restrictions have not greatly diminished the flow of refugees but have led to serious resentment on the part of the entire population increases the need for police controls.

In agriculture the situation is even worse than in industry. Equipment is at the point of breakdown. Seed is poor, fertilizer scarce. Yields in most crops are far below prewar. Thousands of acres are abandoned each year, and, by 1958, the stream of refugees to the West has seriously handicapped agriculture.

Conditions such as these in industry and agriculture led to the widespread revolt of June-July 1953. At that time scores of towns and cities were involved. Thousands of workers attempted to express their demands for decent working conditions. The first spark of revolt was struck among the masons on the scaffolds of Stalinallee in East Berlin. The regime had announced a few days previously an increase in the norms, the output required per worker. This arbitrary act led to the spontaneous formation of a committee which went from their place of work in Stalinallee to the Ministry to request an adjustment to meet reasonable requirements of the workers.

The chosen representatives of the masons and allied building workers marched to the headquarters of the German Democratic Republic with their grievance. They were summarily denied a hearing. Refused admittance to the labor offices, they were then joined by thousands, demonstrated in the streets, burned the posters with pictures of Communists and misleading posters and slogans. The thousands of Germans had their hour of protest and their days of rebellion in Berlin and elsewhere throughout the zone in more than 250 towns and villages.

Throughout the zone, in Berlin and in the smaller cities, they were run down by tanks, shot by machine guns, dispersed by force, and in many cases imprisoned. From that time, with no respite, labor relations in the zone then and now have been at gunpoint and in the shadow of the political prison.

Living Conditions

The miserable living conditions of the majority of the workers in the Soviet-occupied zone constitute the third source of resentment against communism.

In a country where family ties are still of prime importance and where tradition has set high standards of home life, the privations of today in East Germany are particularly painful. The pride in house and garden, in church and school, is gone. In many respects the worker is in a strait-jacket. He cannot choose freely where to live, where to work, his occupation, or his recreation. If he, in a rare case, has a motorcycle and takes his girl out on a Sunday ride, he must watch carefully that he follows a permissible route and does not cross the zonal border. His athletics and recreation are under supervision; his education

and his religious activities are restricted and closely watched.

Rationing, of course, continues in the Soviet Zone. Meat, fats, cheese, and sugar are in short supply. Clothing is expensive and of poor quality. Many East Germans come to Berlin to buy shoes and suits, overcoats and other key articles of wearing apparel.

The difference in material standards for the average man in the East Zone has been estimated as approximately 30 percent below that in the Federal Republic and perhaps 60 percent below that of average workers in the United States. If luxuries like butter, coffee, woollens, high-grade meat are taken into account, prices converted on the basis of hours of work are approximately four times as high. For example, woolen material costs approximately 9 hours of work per meter in the Federal Republic and 40 hours in the Soviet Zone. Many other examples could be given. For instance, coffee in the Federal Republic costs the equivalent of 4 hours of work a pound and 15 to 30 hours in the East Zone.

The nonmaterial standards are even more distressing than lack of goods and services. The church and school are perhaps the most seriously blighted by the Communist rule. Efforts are made to keep the young people out of the Sunday schools and to force them to take an atheist oath. The selection of teachers is said to be more and more on the basis of party membership, with teaching warped to the party line.

These are the repressions of communism which have made the worker look on the system with bitterness. These are the human deprivations which will, in the long run, be the undoing of the tyranny wherever men see any hope of freedom.

The Meaning of Labor's Attitude Toward Communism

The comparison of the regime's slavery and freedom, in the East and in the West of Germany, which reveals the basic differences in the working and living of the people under two systems, does not lead to any easy optimism. Unfortunately, the outlook for an improvement in conditions in the East Zone to bring them up to levels in the West is extremely remote. There is no immediate prospect of a relief for those under Communist control from the oppressive conditions they must endure.

The fact of their continued resistance to both form and substance of the tyrannical regime under which they are living is, however, a bright and shining sign of human faith that their resistance has meaning for the future. The kind of strength which is required to face the risks and hardships of the present with only a distant prospect of better days is impressive not only to their relatives and friends in West Germany but also to all of us who can help shape our own destinies. The workers in East Germany have not weakened in any substantial degree even though the organizations which are permitted to them are meaningless and even though their voices cannot now be heard in the planning of their economy or in the decisions which determine their welfare.

The testimony of those who visit the East Zone and of the refugees who have fled in search of the opportunities which are the heritage of free men and the very complaints of the Communist press all demonstrate the continued vitality of the spirit of the anti-Communist majority. The resistance of these men and women will always be considered as one more chapter in the history of men's struggle for civil and human rights. While some individuals may not live to realize the hopes for which they are now fighting, human beings everywhere should be strengthened in their fight for a better world by the firm purpose and the amazing courage of those who have stood out against the Communist regime in East Germany. The workers, who had most to gain, some thought, from changes in an economic system of the 19th century, now know that the foundation on which their future welfare must be built is a genuine system of representation with the opportunity for each individual to act according to his conscience and speak according to his belief.

Requirements Eased on Exports of Technical Data

Simplification of regulations covering unclassified technical data exportable under general license, including scientific and educational information and published material, was announced on March 7 by the Bureau of Foreign Commerce, U.S. Department of Commerce. The amended regulations now permit this type of material to be exported by mail or otherwise without indicating on the letter or parcel the general license authorization under which the export is made.

In announcing removal of this requirement, the Bureau indicated that the amendment was one aspect of the Department's broader program to promote the collection and dissemination of scientific and educational information within the United States and between the United States and foreign countries.

Letters of Credence

Australia

The newly appointed Ambassador of Australia, Howard Beale, presented his credentials to President Eisenhower on March 27. For texts of the Ambassador's remarks and the President's reply, see Department of State press release 154.

Norway

The newly appointed Ambassador of Norway, Paul Gruda Koht, presented his credentials to President Eisenhower on March 27. For texts of the Ambassador's remarks and the President's reply, see Department of State press release 155.

Venezuela

The newly appointed Ambassador of Venezuela, Hector Santaella, presented his credentials to President Eisenhower on March 26. For texts of the Ambassador's remarks and the President's reply, see Department of State press release 151.

President Postpones Tariff Action on Stainless-Steel Flatware

White House press release dated March 7

White House Announcement

The President on March 7 announced that in the escape-clause case involving stainless-steel table flatware he had decided that a full evaluation of Japan's voluntary limitation of shipments to the United States was necessary since this voluntary limitation signifies an important reduction of the volume of imports and thus holds considerable promise of relieving the situation of domestic producers. The President, therefore, requested the Tariff Commission to keep this matter under review and to report to him as soon as practicable after December 31 with particular reference to the experience of the domestic industry in 1958, during which the Japanese limita-

tion on exports to the United States will have been in effect.

The President set forth his action and the reasons for it in identical letters to the chairmen of the House Ways and Means Committee and the Senate Finance Committee.

Letter to Chairmen of Congressional Committees¹

MARCH 7, 1958

DEAR MR. CHAIRMAN: Under Section 7 of the Trade Agreements Extension Act of 1951, as amended, the United States Tariff Commission reported to me on January 10, 1958 its finding that the domestic producers of stainless steel table flatware were experiencing serious injury as a result of increased imports.

I have carefully studied the facts of this case, and I have had the benefit of the advice of the Trade Policy Committee and various departments and agencies of the Executive Branch.

Although entirely satisfactory information is not available, especially for the year 1957, the Tariff Commission's report demonstrates a striking upward trend in imports with important consequences for domestic producers. Bearing on this situation, however, are two significant developments that the Commission has not had an opportunity to appraise fully. Japan, which accounted for more than ninety per cent of our imports in 1956, has limited its flatware exports to the United States. The first action in this regard set a limit of 5.9 million dozen for the year beginning last October first. The Government of Japan has now informed this Government that it has decided to limit Japanese shipments to the United States to 5.5 million dozen for the current calendar year.

These developments signify an important reduction in the volume of imports and thus hold considerable promise of relieving the situation of domestic producers. Because of this, I have con-

¹ Addressed to Sen. Harry Flood Byrd, chairman of the Senate Committee on Finance, and Rep. Wilbur D. Mills, chairman of the House Ways and Means Committee.

cluded, after a thorough examination of the facts of this case, that a full evaluation of these developments is required and that action at this time on the Commission's recommendations is inadvisable.

In order that the necessary evaluation might be as precise as possible, I have asked the Secretary of Commerce to see that appropriate information on flatware imports is officially collected and tabulated.

I am, moreover, requesting the Tariff Commission to keep this matter under review and to report to me as soon as practicable after December thirty-first with particular reference to the experience of the domestic industry in 1958 during which the Japanese limitation on exports to the United States will have been in effect. In the event that unusual circumstances require, I shall call upon the Commission for a report at an earlier date.

Sincerely,

DWIGHT D. EISENHOWER

Letter to Edgar B. Brossard, Chairman, U.S. Tariff Commission

MARCH 7, 1958

DEAR MR. CHAIRMAN: For the reasons set forth in the enclosed copy of my letter of today to the Chairman of the Senate Finance and the House Ways and Means Committees, I have concluded that action at this time is inadvisable on the Tariff Commission's recommendation of January 10, 1958 concerning stainless steel table flatware.

I request the Commission, however, to keep this matter under review and to report to me as soon as practicable after December thirty-first with particular reference to the experience of the domestic industry in 1958 during which the Japanese limitations on exports to the United States will have been in effect.

In the event that unusual circumstances require, I shall call upon the Commission for a report on an earlier date.

Sincerely,

DWIGHT D. EISENHOWER

Interdependence, Basic Concept of the Mutual Security Program

Statement by Secretary Dulles¹

I appear on behalf of the mutual security program as recommended by the President for the fiscal year 1959.²

I. General Considerations

This program is a continuation of tested security measures that have had their birth and growth during the postwar years. It has provided peace and the opportunity which flows from a world environment of healthy societies of free men. Without this program our peace would be gravely endangered and opportunity would disappear as hostile communism more and more closely encircled us until we became a beleaguered garrison state.

The basic concept of our mutual security program is the concept of *interdependence*. The free nations, assaulted by Communist imperialism, must help each other if they are not to succumb, one by one.

We automatically accept that concept of interdependence in the case of *open* war. During the First World War there were 27 Allied and Associated Powers. We helped each other, militarily and economically, to win victory. During the Second World War 47 nations united their full resources, military and economic, in the cause of victory.

Now we are engaged in a *cold* war. We shall

¹ Made before the Senate Foreign Relations Committee on Mar. 24 (press release 144).

² For President Eisenhower's message to Congress, see BULLETIN of Mar. 10, 1958, p. 367. For statements made before the House Committee on Foreign Affairs by Secretary Dulles and ICA Director James H. Smith, Jr., see *ibid.*, Mar. 17, 1958, p. 427, and Mar. 31, 1958, p. 527.

not emerge victorious unless, in this type of war also, we apply the concept of interdependence.

The soundness of mutual security is no longer a theory. It is a proven fact. Until its principles began to be applied, international communism took over nation after nation. Since the postwar collective-defense system began to be forged, international communism has neither taken over, nor subjected to armed attack, any nation which participated in that system. All members have contributed to security, and all have received security.

II. The Soviet Economic-Political Offensive

Until a few years ago Communist imperialism relied primarily on a policy of threats, bluster, or armed action. Now the Communist leaders follow a new technique. Where they formerly treated all free nations as enemies, they now profess the greatest friendship toward them—particularly toward those which seek economic development.

In pursuing this course, backed with capital and skilled manpower, they have made offers of economic help to nations in all parts of the globe.³ They and other bloc nations have already entered into agreements with 16 nonbloc nations for lines of credit or grants totaling nearly \$1.6 billion in economic assistance and an additional \$400 million for military assistance. They are also engaged in vigorous efforts to increase their trade with nations in all parts of the free world.

³ For a statement on economic activities of the Soviet bloc in less developed countries made before the committee on Mar. 3 by Deputy Under Secretary Dillon, see *ibid.*, Mar. 24, 1958, p. 469.

Mr. Khrushchev has recently said:

We declare war upon you—excuse me for using such an expression—in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this, and it will prove the superiority of our system.

That is a warning to be heeded. It means that, while we must, of course, deter war—whether general nuclear war or limited war—we must also prevent Communist absorption or envelopment of free nations by the more subtle means of economic penetration and political subversion.

III. Deterring War

First let us consider the problem of deterring war. We have treaties with over 40 nations which pledge aid to be given and received if armed attack occurs. These promises are important. But there is need also of military strength-in-being. Our program of mutual security has that as one of its principal purposes.

By this program our allies have vastly increased the effectiveness and numbers of their forces. We have contributed primarily weapons and material up to about \$20 billion, while nations associated with us in the collective-defense effort have made defense expenditures totaling \$122 billion.

We have gained great reinforcement of the most powerful deterrent to aggression, that is, our strategic air force and our naval might. This great power is heavily dependent on dispersed bases around the world. These are supplied by many of our allies and friends as part of their contribution to our mutual security effort.

Great as this mobile strategic power is, we cannot be sure that it alone will deter all aggression. The free world must also have local forces to resist local aggression and give mobile power the opportunity for deployment. Our associates in mutual security are willing to provide the great bulk of the needed conventional forces if we will provide some of the necessary arms and, in certain countries, some of the economic strength needed to support their military establishments.

The peace of our country and the peace of every free nation in the world today rests in the most literal sense on the combining of the forces of the United States with the forces of the rest of the

free world. Together they create an arch on which rests the safety of our homes and loved ones. The military-assistance and defense-support aspects of the mutual security program are the keystones in this security arch.

IV. The Development Need

It is not sufficient, as I indicated earlier, for us to rely solely on military defensive power. To achieve peace and security we must also counter the Communist efforts to manipulate for their own ends the intense economic aspirations of peoples in newly independent and less developed nations.

I have heard it said that we must not enter into a competition with the Soviet bloc in this field. My reply is that we are not entering into a competition with them. They are entering into competition with us. They are attempting to take over and pervert for their own uses the normal processes whereby, historically, nations that are not yet developed borrow abroad to get their own capital development under way. For example, in our own country's early history we borrowed great sums from foreign private investors with which we started our own transportation and industrial development.

We favor today the greatest possible participation by *private* capital in the development of the less developed areas of the world. However, the political risks in many of these countries are greater than private persons will assume. Unless there is to be a lapse in what have been the normal and historic means of developing less developed countries, our governmental funds must play a part. Failure to provide these funds would place great victories within the Communist grasp.

V. The Mutual Security Program in Fiscal Year 1959

If these are the challenges which confront us, what then must we do to surmount them and go forward?

An essential part of the answer is in the President's proposals now before you.

First, to maintain the peace we must maintain the military strength of the free world as a deterrent to Communist armed aggression.

The President has asked \$1.8 billion for military assistance. Of this amount the great bulk will go to our NATO allies, essentially for modernization and missiles, and to Asian countries,

such as Korea, Pakistan, Taiwan, and Iran, which are separated from the full power of the Soviet bloc only by a border gate or a narrow strait.

The details of this military assistance program and its essential role in support of our own defense effort were presented to this committee last week by representatives of the Department of Defense and the Joint Chiefs of Staff.

Closely related to our military assistance is our defense support program, for which the President has requested \$835 million.

Defense support is proposed for 12 nations, 70 percent intended for 4 countries: Korea, Taiwan, Viet-Nam, and Turkey.

These 12 nations are collectively providing 3 million armed men in ground, air, and naval units located at strategic points around the perimeter of the Communist bloc. None of the 12 has the economic strength to support forces of the size we believe important to our common defense without the proposed economic assistance from us.

The *second* great purpose of our mutual security program is to deal realistically with the need of the peoples of the newly developing nations to make economic progress. We have the instruments for this in our well-established technical cooperation program and our newly created Development Loan Fund.

This year we propose a moderate expansion in our technical cooperation, primarily to increase activity in a few countries where we now have programs and to undertake new programs in nations which have recently gained independence. The total requested for this program for 1959 is \$142 million.

In addition we are requesting an increased authorization for the United Nations Technical Assistance Program, to include participation in the important new special projects fund approved by the last General Assembly⁴ and a continuation of our regular program through the Organization of American States.

Our other vital instrument for promoting economic development is the Development Loan Fund. It was recommended to the Congress last year, upon the basis of numerous public and private studies—particularly the excellent study and report by the Senate Special Committee on Foreign Aid—that a loan agency be established

which would make it possible for the United States to help friendly nations develop their economies on a basis of self-help and mutual cooperation.

The Congress appropriated \$300 million for the fund last year and authorized the appropriation of \$625 million for the coming fiscal year. Since the appropriation of the funds for fiscal year 1959 is already authorized, your committee will not be called upon to act on the authorization. Nevertheless, I would like to take advantage of this occasion to make clear my belief that it is immensely important that the full amount of these funds be made available as part of the capital of the Development Loan Fund. They are as important for the future safety of our country as any dollars appropriated for weapons.

The committee of conference on the authorizing bill last year recommended that the fund should in the future be established as a corporation. This is in accord with the views of the executive branch, and we recommend to the Congress that this be done, in a form that will assure that lending by the fund will be fully coordinated with the foreign-policy interests of the Department of State, the mutual security activities of the ICA [International Cooperation Administration], and the lending of the Export-Import Bank and the International Bank.

For the special assistance program we are requesting \$212 million. This aid is designed to meet certain important needs which cannot be met out of the other categories of aid. These needs include help to maintain political and economic stability in certain nations where we do not support substantial military forces and which are not therefore eligible for assistance under defense support. Special assistance is also designed to support such activities as assistance to West Berlin, to continue the worldwide malaria-eradication program, and for other important uses.

Perhaps one of our most important needs is the ability to respond to new situations and new requirements which may arise in the course of the coming fiscal year. The President has asked a \$200-million contingency fund for needs of this nature. It would be reckless, in the light of conditions existing in the world today and the virtual certainty of Communist cold-war initiatives that we cannot now foresee, to leave the President without an emergency fund of at least this size.

⁴ *Ibid.*, Jan. 13, 1958, p. 57.

Other programs, for which the President requests in the aggregate \$106.6 million, will be dealt with in detail by subsequent witnesses.

VI. The U. S. Economic Recession

I know that many people—Members of this Congress and their constituents—are concerned about the cost of our mutual security program and about what is often referred to as a “foreign giveaway.” This is even more true when there is an employment and business recession here in the United States and when there is much that needs to be done here at home.

I think we might all bear in mind three things:

First, this is no “giveaway” program but an absolutely essential part of our great national effort to maintain peace and opportunity for our country. *Not* to have this program would be a “giveaway.” We would then indeed “give away” to communism the control of a dozen or so nations with their hundreds of millions of people. We would indeed “give away” bases essential to our national peace and security. We would indeed “give away” the access which we and other nations have to essential resources and to trade upon which our own well-being depends.

Second, unquestionably we all wish for additional roads, schools, reclamation projects, and other facilities here at home. But we will gain little and lose much if, in our drive for them, we recklessly tear down the very structure of the free world which makes it possible for us to enjoy in peace and freedom the material blessings we now have.

Third, although the fundamental purpose of this program is to provide for the security of our nation, our families, and ourselves, it has added value of special significance now: Its effect is to counter economic recession. The great bulk of our mutual security funds—over three-fourths—are spent in the United States in the first instance. As one of the studies made for you last year showed, in 1955 some 600,000 jobs were provided by the program for American farmers and workers. The remainder, after aiding the economy of one of our allies, returns sooner or later, and mostly sooner, to be spent in the United States for the products of United States industries and agriculture. To cut these funds would be to cut employment here at home, as well as to endanger our security.

VII. Duration of Program

In conclusion let us consider a question often asked: “Will this program have to go on forever?” The answer, I suggest, is this:

I hope and believe that the concept of collective security is here to stay. Every civilized community applies that concept domestically. No longer does each family stand as the sole protector of their own home. There is a common contribution to a collective police force, fire department, sanitary department, and the like. Only the society of nations has been so backward and primitive as to go on practicing the obsolete security conception of each nation standing alone. And the result has been a harvest of recurring wars.

We had hoped that the United Nations would provide the needed collective security on a universal basis. In time it may do so. But the Soviets with their veto power now block that. And Chairman Bulganin recently told President Eisenhower that the Soviet Union would not yield an inch on the matter of veto power.⁵

But the practice of collective security must and will go on. Otherwise wars are inevitable and freedom is in constant jeopardy.

But even though the concept of collective security is permanent, that does not mean that the sums spent on security, be it national or collective, have to be permanently at the present level. We are striving to achieve a limitation of armaments and to find solutions for the basic political problems that give rise to tensions. If the Communists will negotiate in good faith toward these ends, we believe that progress can be made which will make it safe to spend far less on armaments than is now the case.

As far as economic cooperation is concerned, we can expect that, as political stability increases, private capital will play a steadily increasing role. Private capital from the more industrialized countries has in the past flowed in substantial quantities to the less developed areas and can be expected to do so again.

VIII. Conclusion

We are living today in an historic era of great change.

⁵ For texts of the Soviet letter of Feb. 1, 1958, and the President's reply of Feb. 15, see *ibid.*, Mar. 10, 1958, p. 373.

(1) There is the march toward independence of colonial peoples. Since World War II, 20 nations with a population of about 750 million people have achieved their independence. These people, as well as the people of other less developed nations, are determined that they must and *will* have economic progress.

(2) There has been the revolutionary, and reactionary, threat of international communism. It has within little more than a generation subjected all or major parts of 17 nations and nearly 1 billion people to a new type of dictatorship, the dictatorship of a harsh, materialistic creed. The outward thrust of that movement has been somewhat stayed. But the Communist dictators, exploiting the vast human and material resources they control, still seek to extend their conquests around the globe.

(3) Within the Sino-Soviet world there are growing and, in the long run, irresistible demands which are incompatible with the creed and practice of orthodox communism. The subject nations increasingly demand more national independence; and a steadily increasing number of individuals seek greater personal security, increased freedom of choice, and more independence of thought. This mounting tide has already altered somewhat the complexion of Communist rule in Soviet Russia, and it has openly challenged that rule in such

captive countries as Hungary, Poland, and East Germany.

(4) To these three forces must be added a fourth—the force of the enlightened conduct and example of the United States.

We must cooperate with the healthy evolution toward independence of colonial peoples and assist in the achievement of economic progress and of freedom that will be sustained;

We must continue to hold in check the still aggressive and predatory ambitions of international communism; and

We must encourage by peaceful means the adaptation of Sino-Soviet government to the aspirations of the people. The rate of such adaptation will largely depend on whether the present type of rule gains, or is denied, enhanced prestige through external conquests.

Without the policies represented by the mutual security program and without adequate funds to carry out these policies, we cannot do these things. World trends hostile or unfavorable to us would gain the supremacy. There could be a new and prolonged "dark age."

This mutual security program is our response to a challenge which threatens our survival as a nation and the survival in the world of the ideals for which our nation was founded. It is, therefore, a program which cannot be allowed to fail.

Extending the Reciprocal Trade Agreements Legislation

Statement by Douglas Dillon

*Deputy Under Secretary for Economic Affairs*¹

I welcome this opportunity to appear before the Committee on Ways and Means. I am here to present, on behalf of the Department of State, additional information in support of the President's proposals for the extension of the reciprocal

trade agreements legislation.² I intend to deal with certain questions which have arisen in the

¹ Made before the House Committee on Ways and Means on Mar. 24 (press release 143).

² For text of the President's message to Congress on continuation of the trade agreements program, see BULLETIN of Feb. 17, 1958, p. 263; for statements made before the committee by Secretary of Commerce Sinclair Weeks on Feb. 17 and by Secretary Dulles on Feb. 24, see *ibid.*, Mar. 17, 1958, p. 432.

course of the committee's hearings and which are of vital importance to our international economic relations.

First, it has been asked: Of what use is the trade agreements legislation in countering the threat of international communism?

Second, it has been asked: What relationship is there between the creation of the new Economic Community in Western Europe and the trade agreements legislation that makes it necessary for us to extend the legislation for a period of as long as 5 years, thus departing from past practice?

The answers to these questions lie at the heart of the legislative proposals you are now considering. I would like to take them up in order.

I. RECIPROCAL TRADE AND THE SOVIET ECONOMIC OFFENSIVE

It is evident that the safety, freedom, and welfare of the American people will depend upon their ability to meet and overcome the threat presented by international communism. This threat exists not merely because the Soviet leaders have stated over and over again their determination to install the Soviet Communist system throughout the world. Such a declaration of purpose could be ignored or treated lightly if there were no visible means to carry it into effect. But the threat is real because the Soviet leaders now possess a large reservoir of physical power with which to implement their objectives.

International communism now has nearly a billion people under its domination. The gross national product of the Soviet bloc, including Communist China, is of the order of \$280 billion a year. About \$175 billion of this annual amount is produced in the Soviet Union. The rate of economic growth of the Soviet Union is now about 7 percent a year, which compares with a growth rate of about 4 percent a year for the United States.

The industrial growth of the Soviet Union is especially noteworthy. It is growing at a rate of about 10 percent a year, which compares with a rate of about 4 percent a year for the United States. Industrial output in the Soviet Union is now about \$68 billion a year, which makes the Soviet Union the second greatest industrial power in the world. By 1963—that is to say, 5 years from now—its industrial production may reach a

figure of over \$100 billion. The Soviet Union achieves these growth rates by depriving the Russian people of the consumers goods and the better living standards that would otherwise be theirs. The Soviet leaders are ruthlessly sacrificing the immediate welfare of their people so as to increase the physical assets under their control.

Since World War II the United States and its allies have been chiefly concerned over the Soviet military threat, which arises from the existence of large Communist military forces and the willingness to use them wherever the defenses of the free world are weak or uncertain. This threat continues, but it has now been broadened to include an economic threat as well. Within the last 4 years the Soviet bloc has launched a large-scale offensive directed at the countries of the free world.

Communist Trade-and-Aid Drive

Soviet-bloc economic assistance to less developed countries outside the bloc has risen from zero in 1954 to a total of \$1.6 billion by the end of 1957. This assistance is being extended in the form of long-term loans, bearing low rates of interest, which are tied to the use of Soviet-bloc industrial equipment and technical personnel in development projects within the less developed countries. The repayment provisions of these loan agreements usually permit the debtor countries to make repayment in the goods which they have available for export as an alternative to payment in convertible currencies.

Soviet-bloc trade with countries outside the bloc has also risen rapidly in this period. The exports of the bloc to the free world as a whole increased from \$1.8 billion in 1954 to about \$3.2 billion in 1957, a gain of 80 percent, and bloc imports from the free world increased in about the same degree.

The pattern of the Soviet trade offensive in the less developed countries stands out even more clearly. The total trade of the Soviet bloc with the less developed countries of the free world amounted to \$840 million in 1954. In 1957 it was probably double that figure—an estimated \$1.7 billion. There were 49 trade and payment agreements between the bloc and these countries at the end of 1953. By the end of 1957 there were 147 such agreements, an increase of 98 over the 4-year period.

The economic-assistance activities of the Soviet bloc clearly contribute to an expanding bloc trade program. As Soviet loans and credits are drawn down by the recipient countries, imports into these countries from the bloc will tend to increase further. And as these countries begin to pay off their financial obligations to the bloc, which they are usually allowed to do in goods, their exports to the bloc will also tend to increase.

The economic basis of the Communist trade-and-aid drive lies in the fact that the bloc's industrial growth is enabling it to supply in increasing quantities the capital equipment and manufactured goods which many free-world countries must import, and in the fact that the bloc is able and willing to accept in return many kinds of raw materials and foodstuffs which free-world countries have for sale and for which they sometimes have difficulty in finding markets.

Now there is nothing wrong with trade or aid as such. The question is rather the purpose to which the Soviet trade-and-aid programs are likely to be put. The Soviet leaders have made it abundantly clear that the purpose is political. What they are aiming for is to create economic dependence upon the Soviet bloc, to spread Communist economic ideology, to weaken and disrupt economic relations among free-world countries, and to pave the way for ultimate Communist political domination. In 1955 Mr. Khrushchev told a group of visiting United States Congressmen, "We value trade least for economic reasons and most for political purposes."

A few weeks ago I made a detailed statement before the Senate Foreign Relations Committee on the Soviet economic offensive in the less developed countries.³ This statement was based on a detailed study of this subject which is now in preparation in the Department of State and which should be available shortly. If the committee so desires, my statement can be made available for the record of these hearings.

Meeting the Economic Challenge

How should the United States defend its national interests in the face of this Soviet economic offensive? Should it attempt to match Soviet trade deals by itself engaging in selective barter arrangements, state trading, and other forms of

economic warfare aimed specifically at frustrating Soviet economic moves?

The answer to that question is clearly "no." The economic challenge presented by the Soviet bloc is not one of this deal or that deal. Fundamentally it is not a question of whether the Soviets or ourselves gain in one market or another. On the contrary, the Soviet economic challenge runs to the whole of the basic economic philosophy of the United States on which our foreign economic policy rests. It is, in short, a challenge which asserts that the economic system based on free, competitive enterprise which we espouse will not succeed in commanding the continuing support of the people of the free world and that the Communist economic system will prove its superiority.

There is only one way to meet the Soviet economic challenge which is compatible with the preservation of our political institutions and our national ideals. That way is to make sure that our system, based on concepts of economic freedom and competitive enterprise, is given the chance to work. If we will do this, there can be no doubt as to which system will win out in the long run. It will be ours.

Now it is often said that the trade agreements program is a symbol of international trade co-operation among the free-world countries. It is much more than that. It is a working instrument through which a large number of the most important trading countries outside the Communist bloc have achieved great progress in reducing barriers to trade within the free world. When the free world is menaced as never before by an overall economic, political, and military threat from international communism, it is essential that this process of opening up the channels of trade which link the economies of the free world should not grind to a halt.

Trade is economically important to the United States. It is vital to most of the other countries of the free world. Exports account for 16 percent of the total economic output of the United Kingdom. For Belgium and some other countries of Western Europe the percentage is even higher. For the people of Japan trade makes the difference between well-being and starvation. For the less developed countries, exports of raw materials and foodstuffs to the markets of the free world are the primary means by which they can obtain the machinery and equipment which

³ *Ibid.*, Mar. 24, 1958, p. 469.

they must have for their economic development. If the governments of the free countries cannot satisfy the basic economic needs and aspirations of their people through growing trade within the free world, they will be compelled to turn more and more to trade with the Soviet bloc.

It may be asked whether we have not already done enough. But the Soviet challenge is a dynamic one. It will not be met by a standstill policy on our part. Our great strength lies in the productivity and vitality of the competitive enterprise system which today prevails throughout most of the free world. Unless we permit our free-enterprise system to work fully and freely, we will be shackling ourselves in the face of the dangerous and powerful economic offensive of the Soviet Union. This explains why the President's proposals are so vital to our foreign policy in the continuing contest with Soviet imperialism.

This brings me to my second question, namely, the European Common Market and its relationship to the legislation before you.

II. TRADE AGREEMENTS LEGISLATION AND THE EUROPEAN COMMON MARKET

The United States, Western Europe, and Japan are the three great industrial centers of the free world. A complex network of trade relationships connects these areas with one another and each of them with the less industrially advanced countries of Latin America, Asia, the Middle East, and Africa. Following 1929 this trading system broke down under the combined impact of the depression and the emergence of extreme economic nationalism. Since those days the system has been gradually rebuilt. Once again we have a significant degree of integration among the free-world economies so that developments within one of the three industrial centers can seriously affect the rest of the structure.

The creation in Western Europe of a European Economic Community, which will merge the economies of Germany, France, Italy, Belgium, the Netherlands, and Luxembourg, is therefore of great significance to international trade as a whole and to the economies of the many countries which depend upon such trade. The European Economic Community, which was established by the Rome Treaty of March 1957, embraces a population of 160 million people. The total gross national product of the six member countries

amounted to \$140 billion in 1956. The imports of the six countries from the rest of the world, excluding trade among themselves, amounted to \$14 billion in 1957, which was over \$1 billion larger than the total import trade of the United States. The 1957 imports of the six from the United States alone amounted to \$3.1 billion during 1957. Taken together the Common Market countries are a close second to Canada as a market for our exports, and they account for approximately one dollar in every six of our total export trade.

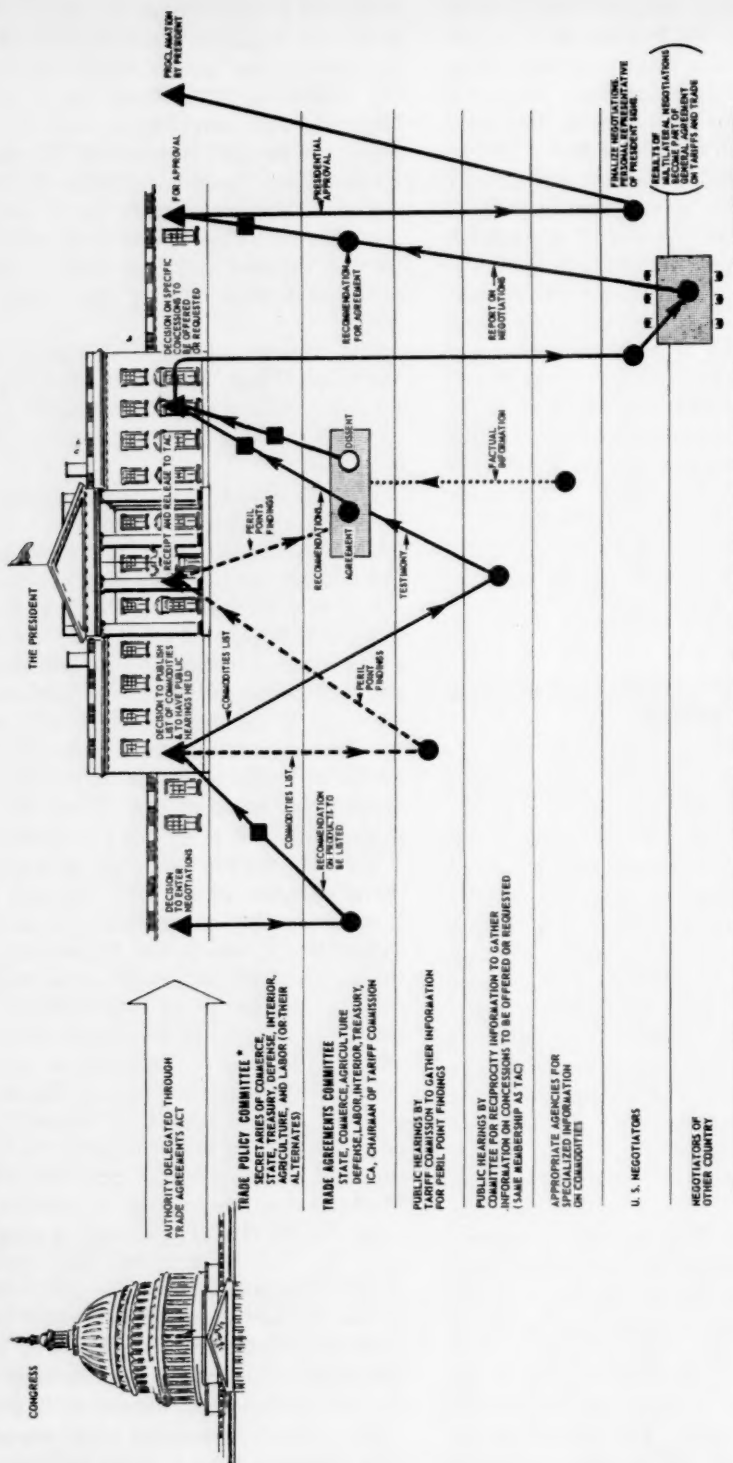
The European Economic Community, when fully established, will have completely free trade within the Community and a single uniform tariff on imports into the Community from other countries.

It is the height of this tariff that is of concern to other countries, including the United States. I believe that other witnesses have already testified that we have assurances through our participation in GATT that the Common Market tariff will not be higher on the whole than the average of the separate national tariffs previously in effect and that increases in national tariffs necessary to arrive at a Community tariff will be matched by decreases. These are valuable safeguards which will help to assure satisfactory trade relationships between the European Economic Community and other GATT countries.

Yet what is often lost sight of is the impact of the elimination of all tariff barriers within the Community. By creating a single market roughly comparable in size to the American market, European manufacturers will be able to expand production and so to cut their costs. This will inevitably lead to trade adjustments which will affect, with more or less severity, the exports of other countries to the Common Market area, depending on the height of the common tariff. The only way to ease these adjustments is to reduce the level of the external tariff of the Common Market below the average of present rates provided for by GATT. To take a single illustration: It will be a great deal easier for an American exporter of sewing machines to France to face the new competition created by duty-free entry into France of Italian sewing machines if the tariff which the American exporter has to pay is only 6 percent instead of 12 percent.

The United States and other exporting countries therefore have a direct and important eco-

HOW A TRADE AGREEMENT IS MADE



* ALL RECOMMENDATIONS MADE BY TAC ARE TRANSMITTED TO THE PRESIDENT THROUGH TPC WHICH SUBMITS SUCH ADVICE TO THE PRESIDENT AS IT DEEMS APPROPRIATE.

nomie interest in obtaining reductions in the rates of the proposed Common Market tariff which are of particular concern to their export trade. Such reductions can, of course, be obtained only through reciprocal tariff negotiations.

There is a further important consideration. Whatever the level of the Common Market tariff is to be, its general nature will be settled within the next 4 to 5 years. Any reductions which the United States and other countries may see, even on a reciprocal basis, will be much harder to obtain if the Common Market area has already become accustomed to the operation of a higher tariff. The best chance we will have to achieve the reductions that are important to our export trade will be to negotiate them before the new tariff has become solidly established.

It is primarily for this reason that the President has requested a 5-year extension of the Trade Agreements Act. In order that there should be no doubt as to the relationship between these negotiations and the request for a 5-year extension, I should like to explain it in some detail.

Common Market Timetable

First let me describe the procedure and timetable for the establishment of the Common Market. Then I will explain how United States negotiations would fit into these procedures and this timetable during each of the 5 years for which the trade agreements authority is being requested.

The procedure to be followed in forming the European Common Market may be envisaged as two separate but substantially simultaneous series of tariff adjustments, one internal and the other external.

With respect to the internal tariffs, that is, the duties which the six countries now apply on their imports from each other, these are to be gradually reduced until they are entirely eliminated and complete free trade exists within the Common Market. The first step in reducing these internal tariffs will be taken next January 1, when internal duties are to be reduced by 10 percent from their present height. On July 1, 1960, there will be a second 10 percent reduction, and by the end of 1961 the reduction of internal tariffs will reach 30 percent. By the end of 1965 it will reach 60 percent, and reductions will continue in stages with the complete elimination of

internal tariffs being scheduled for the end of 1972 at the latest.

After the first of next year, therefore, goods produced within any Common Market country will have a steadily increasing advantage within the rest of the Common Market over American and other free-world goods.

With respect to external tariffs, that is to say, the second of the two series of tariff adjustments, the plan is as follows:

Step one will be to establish a proposed—and I underline the word proposed—external tariff for the Common Market as a whole. This would be a single uniform set of tariff rates applying to imports into any of the six countries just as the United States tariff applies to imports into all customs districts of the continental United States. For purposes of simplicity I will call this the target common tariff.

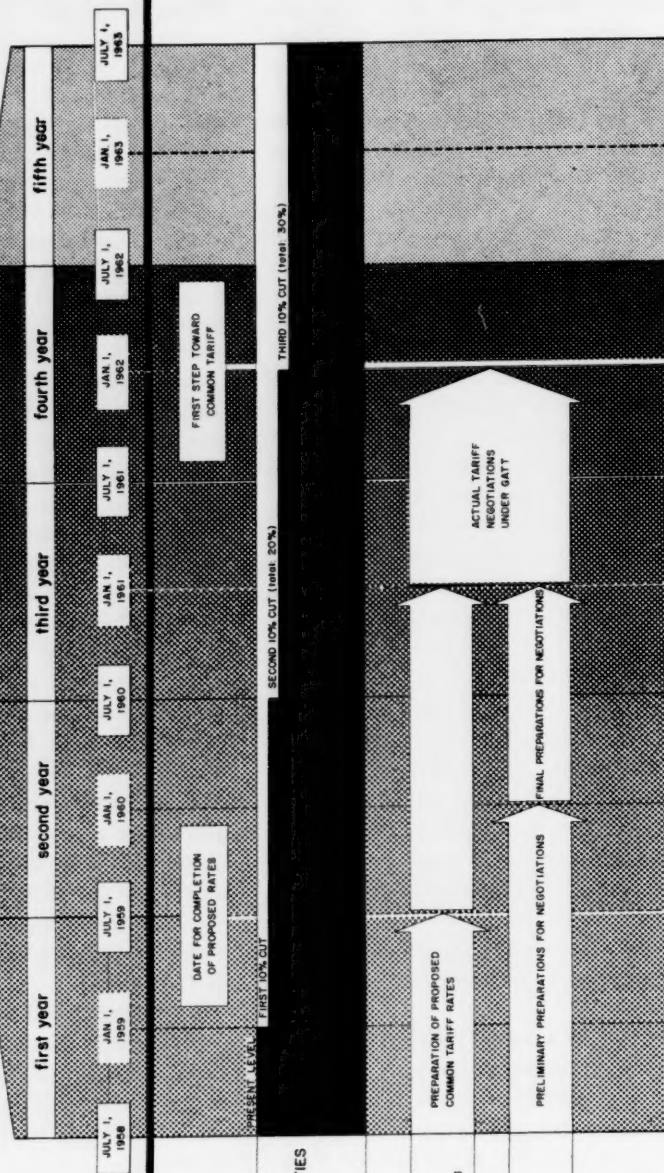
The rates of duty to be provided for in the target common tariff are to be determined partly by a formula established in the Rome Treaty, partly by schedules specifically provided for in the Rome Treaty itself, and partly by negotiations among the six countries.

For those rates to be established by formula, the method used is that of a simple arithmetic average. To take an example: There are now separate tariffs for ball bearings in the Common Market—a rate of 6 percent in Benelux, one of 28 percent in France, one of 15 percent in Germany, and one of 25 percent in Italy. These four rates are added together, and the sum total is divided by four, yielding a Common Market rate of 18 percent.

The negotiations for the target common tariff will take some time to complete. The European Economic Community has informed us that they expect to have the entire target tariff available for examination sometime during the latter part of 1959.

The second step in the procedure for establishing the external tariff of the Common Market will be to test the target tariff which I have just described against the rules and criteria provided for in the General Agreement on Tariffs and Trade, taking into consideration the views of other countries, including the United States, toward whom the Common Market countries have assumed GATT obligations.

FIVE YEAR EXTENSION OF TRADE AGREEMENTS AUTHORITY



THIS TABLE FOR REDUCING DUTIES
WITHIN THE COMMON MARKET

COMMON
MARKET
COUNTRIES

NEGOTIATING SCHEDULE

UNITED
STATES

ACTUAL TARIFF
NEGOTIATIONS
UNDER GATT

PRELIMINARY PREPARATIONS FOR NEGOTIATIONS

PRELIMINARY PREPARATIONS FOR NEGOTIATIONS

In examining the target tariff proposed by the Common Market countries, the other GATT countries will want to be satisfied on the two main points:

They will want to assure themselves that the target tariff is not on the whole higher or more restrictive than the separate tariff schedules previously in effect.

They will also want to be sure that, wherever a Common Market country, in order to arrive at the new single tariff, intends to increase the duty on a product on which it has granted a tariff concession, there is adequate compensation in the form of a duty reduction elsewhere in the tariffs of the countries forming the Common Market, either on the same product or on a product of equivalent interest to them.

I wish to reemphasize at this point that neither the United States nor any other GATT country has the right to insist that the Common Market countries reduce the general level of the Common Market tariff. They can only insist that the general level not be higher or more restrictive than the present average level and that increases on concession items be matched by equivalent decreases.

We come now to the third step, during which the external tariff of the Common Market begins to be applied and begins to have an effect on the actual flow of trade.

This third step is to be taken on January 1, 1962, when the Rome Treaty requires that the first concrete measures to put the Common Market tariff into effect must take place. On that date member countries will be required to eliminate 30 percent of the difference between their national tariff rate and the new Common Market rate. Thereafter, over succeeding years, similar adjustments will be periodically made, some upwards and some downwards in the different countries, so that by June 1, 1973, at the latest, a single uniform tariff around the whole of the Common Market will be achieved.

The timetable which I have described means that the customary 3-year extension of the Trade Agreements Act would not enable the United States to participate in reciprocal tariff negotiations with the Common Market during its formative period. If the act were to be extended for only 3 years, it would expire before negotiations could be completed. Under such circumstances it would be unwise to enter into them at all.

Steps in U.S. Negotiations

It may be useful to an understanding of this point to outline the negotiating steps that would be followed by the United States during each of the 5 years for which the authority is being requested. I have here a chart on which the members of the committee can observe the various negotiating steps for each of the 5 years 1958-1963. If the committee so desires, we will be glad to have this chart reproduced in a form suitable for inclusion in the printed record of the hearings.

During the first year, from June 1958 to June 1959, we would seek the agreement of the Common Market countries and of other GATT countries to hold a general round of tariff negotiations which would include reciprocal tariff concessions by the Common Market countries below the level of the common tariff which would otherwise prevail. It would not be possible to reach international agreement to hold such negotiations unless the other governments concerned were sure that the United States possessed adequate bargaining power for the full period required for negotiation.

During the second year, we would receive the completed proposed common tariff, that is to say, the target tariff to which I have already referred, and undertake our analysis of it so as to be sure that it met the requirements of the GATT and so as to determine what concessions we would want to request in order to best preserve our export markets. During the latter part of this period, that is to say, during the first half of 1960, we would begin our final preparations for negotiations, including the issuance of a public notice of intention to negotiate and the holding of public hearings on the items on which we might be prepared to grant concessions.

During the first part of the third year, that is, between June 1960 and January 1961, we would complete our own preparations, and lists of requests for concessions would be exchanged among all participating countries with a view toward starting active negotiations by January 1961, if at all possible. This would be a very tight schedule to meet, but every effort must be made to complete negotiations prior to the entry into force of the first tariff adjustments toward the new Common Market tariff on January 1, 1962. Previous general tariff negotiations at Geneva in 1947 and at Torquay in 1951 took 7 months to complete. In view of the complexity of the negotiations with

the Common Market, in which every concession granted by the Common Market will require prior agreement among the six governments concerned, we must count on at least 1 full year of negotiations.

Thus, allowing no time whatsoever for slippage, the earliest possible date for completion of these negotiations will be January 1, 1962, a full 3½ years from the expiration of the present act. A far more realistic date would be June 30, 1962. We are asking for a fifth year to June 30, 1963, in order to provide a safe margin for the delays that will inevitably arise during the course of the negotiations.

For these reasons, Mr. Chairman, it is the firm conviction of the Department of State that an extension of this legislation for a full 5 years is necessary if tariff negotiations are to be conducted with the European Economic Community, thereby advancing American economic interests and those of the free world as a whole.

TREATY INFORMATION

Current Actions

MULTILATERAL

Automotive Traffic

Convention concerning customs facilities for touring. Done at New York June 4, 1954. Entered into force September 11, 1957. TIAS 3879.

Ratification deposited: Netherlands (for Realm in Europe, Surinam, Netherlands Antilles, and Netherlands New Guinea), March 7, 1958.

Customs convention on temporary importation of private road vehicles. Done at New York June 4, 1954. Entered into force December 15, 1957. TIAS 3943.

Ratification deposited: Netherlands (for Realm in Europe, Surinam, Netherlands Antilles, and Netherlands New Guinea), March 7, 1958.

Trade and Commerce

International convention to facilitate the importation of commercial samples and advertising material. Dated at Geneva November 7, 1952. Entered into force November 20, 1955; for the United States October 17, 1957. TIAS 3920.

Accession deposited: Italy, February 20, 1958.

BILATERAL

Philippines

Interim arrangement permitting the exploitation of mineral resources within the Fort Stotsenberg Military Reservation. Effected by exchange of notes at Manila April 8, 1957. Entered into force April 8, 1957.

DEPARTMENT AND FOREIGN SERVICE

Confirmations

The Senate on March 26 confirmed the following:

James S. Moose, Jr., to be Ambassador to the Republic of the Sudan.

Robert Newbegin to be Ambassador to Honduras.

Horace H. Smith to be Ambassador to the Kingdom of Laos.

Robert F. Woodward to be Ambassador to Uruguay.

PUBLICATIONS

Recent Releases

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. Address requests direct to the Superintendent of Documents, except in the case of free publications, which may be obtained from the Department of State.

Participation of the United States Government in International Conferences—July 1, 1955–June 30, 1956. Pub. 6548. International Organization and Conference Series I, 34. xi, 205 pp. 55¢.

A record of the official participation of the U.S. Government in multilateral international conferences and meetings of international organizations during the period July 1, 1955–June 30, 1956.

Employment Information—United States Department of State. Pub. 6564. Department and Foreign Service Series 71. 31 pp. Limited distribution.

A pamphlet outlining the requirements for employment in the Department of State, both at home and abroad, and the manner in which appointments are made to the Departmental Service and to the Foreign Service.

Career Opportunities in the U.S. Foreign Service. Pub. 6566. Department and Foreign Service Series 72. 22 pp. 15¢.

A pamphlet outlining the opportunities that exist for young men and women to become career officers in the Foreign Service of the United States.

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Press releases may be obtained from the News Division, Department of State, Washington 25, D. C.

Releases issued prior to March 24 which appear in this issue of the BULLETIN are Nos. 134 of March 19 and 137 of March 20.

No.	Date	Subject
*142	3/24	Educational exchange.
143	3/24	Dillon: House Ways and Means Committee.
144	3/24	Dulles: Senate Foreign Relations Committee.
†145	3/24	Wilcox: "The United Nations: Challenges of a New Age."
146	3/24	Visit of President-elect of Costa Rica (rewrite).
†147	3/25	Rubottom: "The American Discovery of America."
148	3/25	U.S. grants \$15 million to Spain.
149	3/25	Dulles: Soviet conditions for summit meeting (combined with No. 150).
150	3/25	Dulles: news conference.
151	3/26	Venezuela credentials (rewrite).
*152	3/26	Nominations to rank of career minister.
153	3/27	Dillon: national conference on international trade policy.
154	3/27	Australia credentials (rewrite).
155	3/27	Norway credentials (rewrite).
156	3/27	Dulles: national conference on international trade policy.
†157	3/29	Plan for payment of U.S. claims against Germany.

*Not printed.

†Held for a later issue of the BULLETIN.

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North Atlantic Treaty Organization
Meeting of Heads of Government

Paris, December 1957

TEXTS OF STATEMENTS

The Heads of Government of the North Atlantic Treaty Organization met in Paris from December 16 to 19, 1957, for the first top-level meeting of the North Atlantic Council since the founding of the Alliance more than 8 years before. They came together because they desired to increase the effectiveness of NATO in relation to current international political, military, and economic problems arising out of the policies of the Soviet Union.

This new Department of State publication contains statements made by President Eisenhower and Secretary of State Dulles before and after the meeting; the addresses delivered by Prime Minister Bech, Premier Gaillard, and President Eisenhower at the opening public session; the statements made by Secretary General Spaak and the Heads of Government at the first business session; and the Declaration and Communiqué issued on the final day.

Copies of the publication may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C., for 50 cents each.

Publication 6606

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